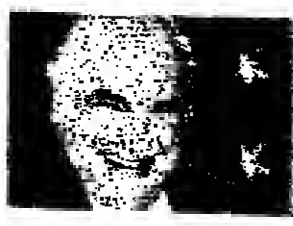

Kohl's agenda

German politics after the election

Royal soap opera

What does it say about Britain?

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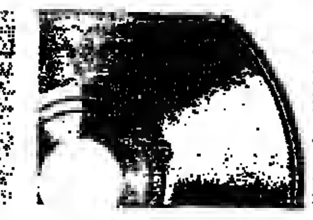

Re-writing history

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Prevention and detection of fraud

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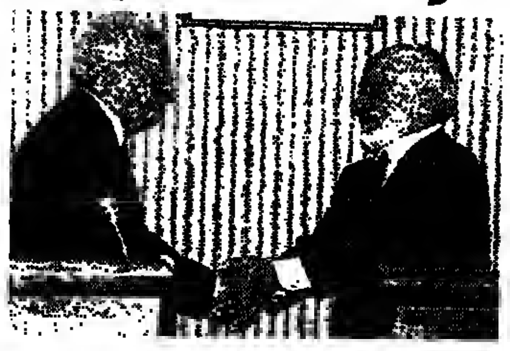
FINANCIAL TIMES

Europe's Business Newspaper | TUESDAY OCTOBER 18 1994 | D8523A

Israel and Jordan agree draft deal for peace treaty



Israeli prime minister Yitzhak Rabin (left) and King Hussein of Jordan (right) announced they had reached a draft peace treaty, paving the way to normal relations between the two countries and breaking down economic barriers in the Middle East. The two leaders settled disputes over their borders and access to the region's water sources to achieve the treaty, which was initialled by Mr Rabin and Mr Abdul-Salam al-Majali, the Jordanian prime minister, in Amman, the Jordanian capital. Page 18; Cornerstone for new Middle East, Page 5; Editorial Comment, Page 17; Lex, Page 18

Eurotunnel: The railways of Britain, France and Belgium announced the start of high-speed Channel tunnel rail services, with prices for a return ticket from London to Paris starting at £95 ($150). Eurotunnel, the Channel tunnel operator, meanwhile, said it expected revenues for 1994 to be only a quarter of the £135m ($216m) it predicted as recently as May, following delays to the start of rail services. Page 8; Eurotunnel warns of lower revenues, Page 19; Lex, Page 18

India eases lending controls: India scrapped most controls on bank lending rates in a move to promote cheaper credit, greater liberalisation in financial markets and more competition in the banking industry. Page 18

$10bn fraud halted: An international police operation led by the UK's metropolitan fraud squad prevented a $10bn fraud attempt on the Agricultural Bank of China, one of China's big four banks. Page 8

Brussels extends telecoms probe: The structure of Italy's state-controlled telecoms sector is to come under European Commission scrutiny as part of an antitrust investigation into a proposed venture between Italtel, Italy's telecoms equipment manufacturer, and Siemens of Germany. Page 18

Poll called to end Bulgarian crisis: Bulgarian president, Zhelyu Zhelev, ended a six-week-long cabinet crisis by dissolving parliament and appointing an interim government until early general elections on December 18. Page 3

Unisys: Third-quarter earnings at the US computer group dropped sharply as it continued a painful transition from mainframe computers to information services. Net income for the third quarter was $42.9m compared with $84.1m in the same period last year. Page 19

Arrest warrant for financier: An arrest warrant was issued for Javier de la Rosa, the Barcelona-based financier who in the 1980s became a symbol of the then booming Spanish economy as he orchestrated investment into the country by the Kuwait Investment Office. Page 3

Honda is investing more than Y10bn ($100m) in a new car-making plant in Thailand, a move that will double its Thai capacity and may lead to the production of a small, popular car for Asia. Page 6

Finland's EU vote boosts Nordic hopes: Swedish prime minister, Ingvar Carlsson, flew to Oslo for talks with Gro Harlem Brundtland, his Norwegian counterpart, as the two leaders sought to capitalise on Finland's approval of European Union membership. Page 4

Mitsubishi Motors is to begin producing cars in Europe for the first time next year at its joint venture plant in the Netherlands. The company aims to produce up to 100,000 Mitsubishi cars a year by 1997. Page 6

China-US air traffic accord: China and the US agreed to co-operate in converting the Chinese military-dominated air traffic control system to civilian management under an agreement signed by senior US and Chinese officials. Page 5

Bomb kills Russian reporter: A suitcase bomb killed investigative reporter Dmitry Kholodov and destroyed the newsroom of Moskovsky Komsomolets, a popular Moscow newspaper that had crusaded against the Russian mafia.

First step in partial sell-off ■ Car group valued at up to FFr42.5bn

France launches Renault shares

By John Ridding in Paris

The French government will today launch the partial privatisation of Renault, the motor group that is one of the most attractive assets in the country's public sector and a former bastion of union power.

Mr Edmond Alphandéry, economy minister, gave a guideline price of between FFr163 and FFr178 per share for institutional investors, valuing the company at between FFr39bn ($7.4bn) and FFr42.5bn. The price range, which officials described as non-binding, is below many market estimates which have been between FFr42bn and FFr45bn.

Mr Alphandéry described the partial privatisation, which is expected within the next month, as an important step for the motor group and for French financial markets.

"It will give Renault the resources for development and place it in pole position for competition with its rivals. It also puts one of France's most important industrial groups on the bourse," he said.

The issue is being aimed mainly at individual investors, who will be able to make non-binding applications for shares from today. Mr Alphandéry said the government planned to sell about 60 per cent of the shares to individuals, but the proportion could be increased to two-thirds if demand was strong.

Previous issues in the French government's privatisation programme have seen shares clawed back from institutional investors following strong subscriptions by individuals. Industry observers in Paris predicted that Renault would also see keen interest.

"It is a household name and seems likely to be fairly priced," said a motor industry analyst at a French merchant bank. He added that Renault, which achieved profits of FFr1.07bn last year and forecasts a strong increase in 1994, was one of the few motor groups to remain in profit during the recession in the industry in 1992 and 1993.

Mr Alphandéry stressed that the company would ramain in French hands and that the government, which holds 80 per cent of Renault's shares, would retain a 51 per cent stake. "Privatisatioo is not on the agenda. There are no plans for a second tranche to be floated on the bourse."

The proceeds of the share sale are expected to be used to finance a capital increase at Air France, the loss-making state-owned airline.

The government's decision to limit the flotation to a partial privatisation reflects the political sensitivity of Renault. The communist-led union, the Confédération Générale du Travail, has sought to block the sale of Renault shares, but calls for industrial action at the motor group have met with little success.

As part of the operation, Volvo of Sweden, Renault's former partner in an aborted merger, will sell between 8 per cent and 12 per cent of the French company's shares. Volvo holds 20 per cent of Renault's equity, which it has kept since the collapse of the merger plans last year.

The French economy minister said that foreign shareholders would be welcome and that international investors had expressed strong interest in the issue.

GE agrees terms for sale of Kidder to PaineWebber

By Richard Waters in New York

Kidder Peabody, the troubled investment banking subsidiary of General Electric, will be broken up and its most attractive businesses transfered to Wall Street rival PaineWebber.

The deal, agreed late on Sunday and announced yesterday morning, ends GE's troubled eight-year ownership of Kidder Peabody. Rocked by an insider trading scandal and loss-making junk bond holdings in the late 1980s, Kidder has been hit this year by tumbling bond markets and an alleged bond trading fraud which resulted in fictitious profits of $350m.

The US industrial conglomerate said it would take a charge of around $500m as a result of the sale, taking the total cost of its ill-fated involvement with Kidder to more than $1.5bn.

GE paid $600m for 80 per cent of Kidder in 1986 and subsequently injected another $800m of capital. By the middle of this year, Kidder had returned a total of $250m in profits, GE said. Since then, the firm is understood to have lost $85m.

The deal with PaineWebber is worth a net $90m to GE.

Under the agreement, PaineWebber will acquire Kidder's highly regarded retail stockbroking business, which generates around $500m of revenues a year, and its fund management operation. It will also take over parts of Kidder's investment banking and trading businesses, though final agreement will be reached over the coming weeks.

PaineWebber will receive $580m in net assets from GE. In return, the securities firm said it would issue $670m of ordinary, convertible and preferred shares to GE, which if fully converted would give the industrial group a 25 per cent interest.

Mr Jack Welch, GE's chairman who negotiated the original Kidder purchase, said yesterday that the group would retain an interest in "a much larger, well-established franchise" in the broking industry.

The deal will further PaineWebber's ambition of becoming a full-service investment bank, combining a retail broking force with underwriting securities issues, advising on takeovers and trading, said Mr Donald Marron, chairman.

However, rivals pointed out that the acquisition of Kidder's businesses would do little to strengthen PaineWebber's underwriting and advisory operations. Besides Kidder's specialised mortgage-backed bonds business, which may not be transfered to PaineWebber, neither firm has a substantial presence in these businesses.

GE will remain liable for any outstanding lawsuits against Kidder, including any litigation connected with the alleged fictitious profits scheme. It will also pay redundancy costs for staff not taken on by PaineWebber.

Lex, Page 18

Queen arrives in Russia

Queen Elizabeth, the first reigning British monarch to visit Russia, inspects a guard of honour on her arrival in Moscow yesterday. She was greeted at Vnukovo 11 Airport by Oleg Soskovets, the first deputy prime minister, as Viktor Chernomyrdin, the prime minister, is on holiday.

Later, the Queen and her husband, Prince Philip, received a formal red carpet welcome from President Boris Yeltsin at St George's Hall in the Kremlin.

However, the start of the historic four-day visit was marred by furore over the marital problems of her son and heir to the throne, Prince Charles, the Prince of Wales.

John Major, the UK prime minister, dismissed as "pretty far from the mark" reports that he was to advise the Queen that the prince and the Princess of Wales should divorce as soon possible. Close aides of the prime minister made clear that he continued to believe the monarchy was the cornerstone of the British constitution and must remain so.

Joe Rogaly, Page 16; Observer, Page 17

Picture: Reuter

Kohl in talks to reform German coalition

By Quentin Peel in Bonn

Chancellor Helmut Kohl held preliminary talks yesterday to reform Germany's conservative-liberal coalition after its parliamentary majority was drastically reduced – from 134 to just 10 seats – in Sunday's election.

He rejected any suggestion that the majority might be too small to govern the country, and ruled out a grand coalition with the opposition Social Democratic party (SPD). Mr Rudolf Scharping, the SPD leader, also rejected calls from his own party for such a move, while predicting that the present coalition would prove unstable.

The coalition of Mr Kohl's Christian Democratic Union (CDU), its Bavaria-based sister party, the Christian Social Union (CSU) and the liberal Free Democratic party (FDP) was "perfectly capable of government", the chancellor said. "The German voters have shown confidence in us once again."

A Kohl victory had been heavily discounted by the financial markets, which reduced its impact yesterday. The D-Mark's performance was mixed, with the main casualty on currency markets being the dollar, which sunk to a two-year low. It was trading last night at DM1.4955 in New York, below the previous 1994 low of DM1.5160.

The Frankfurt stock exchange gained nearly 2 per cent, measured by the DAX index of 30 leading shares, although it later eased to close 0.7 per cent down at 2,091 points.

The final election result for the Bundestag, the lower house of parliament, gave the CDU 244 seats in a 672-seat assembly, with 50 seats for the CSU, and 47 for the FDP. This gave a total of 341 seats for the government, against a combined 331 for the opposition parties – the SPD, the Greens, and the Party of Democratic Socialism (PDS), the re-formed

Continued on Page 18

Election reports, Page 2; Battle to hold middle lane, Page 17; Editorial comment, Page 17; Observer, Page 17; Bonds, Page 24; Currencies, Page 36; World stocks, Page 38

Samsung to invest $723m in new UK manufacturing plant

By John Burton in Seoul, Christine Tighe in Cleveland and Alan Cane in London

Samsung of South Korea, the world's 14th largest industrial group, is to invest £450m ($723m) to build a manufacturing plant at Wynyard, Cleveland in the north east of England.

The factory, which will produce consumer goods ranging from microwave ovens to computer monitors for the European market, will eventually create 3,000 new jobs and provide a considerable psychological boost for a region where high unemployment seems endemic.

The Korean company also plans to move its European headquarters from Frankfurt to London as part of the deal. The investment was unveiled yesterday by Mr Michael Heseltine, secretary of state for trade and industry, during a visit to Seoul, who said that Samsung was attracted to the UK because of "competitive wage rates without the social charter".

Samsung's plan is the latest in a series of large investments in the UK by foreign companies. Last month NEC, the Japanese electronics giant, said it intended to spend £530m to build a semiconductor manufacturing plant at Livingston, near Edinburgh in Scotland.

The UK government offared Samsung £58m in regional grants and loans to secure the project. Together with indirect aid the support is equivalent to 20 per cent of Samsung's investment.

Samsung project biggest since Nissan ....Page 9

Samsung's dacision follows stiff competition from other European countries. The Cleveland investment dwarfs other Korean investments in the European Union (EU).

Mr Chan Bea, managing director of Samsung's UK operations, said the decision had been influenced by the proximity of Cleveland to Scotland's "Silicon Glen" where a large number of computer manufacturers, potential customers for Samsung's electronics products, are located. He said the move was part of Samsung's globalisation strategy and a measure against possible anti-dumping measures by the EU.

Samsung intends initially to manufacture 1.3m microwave ovens and 1m computer monitors annually at the Cleveland site. It will add production facilities for personal computers, facsimile machines, colour display tubes and semiconductors. The plant should be completed by 1999 when it should be generating $2bn in turnover, about half the group's total European sales.

Samsung manufactures a broad range of products from semiconductors and personal computers to ships, petrochemicals and medical equipment.

Samsung Electronics was established in the UK in 1969. It makes 700,000 televisions a year in Teeside, and earlier this year agreed to invest £11m over three years in the Teeside plant.

The UK accounts for 47 per cent of all Korean manufacturing in the EU with 10 Korean firms operating in the country.

■ STOCK MARKET INDICES

FT-SE 100	3,128.2	(+13.50)
Yield	4.04	
FT-SE Eurotrack 100	1,343.0	(-7.17)
FT-SE-A All-Share	1,548.45	(+0.3%)
Nikkei	19,958.29	(-11.0)
New York: lunchtime		
Dow Jones Ind Ave	3,918.55	(+8.08)
S&P Composite	468.58	(-0.54)

■ US LUNCHTIME RATES

Federal Funds:	4 17/32%
3-mo Treas Bills: Yld	4.976%
Long Bond	85 7/8
Yield	7.853%

■ LONDON MONEY

3-mo Interbank	5 13/16%	(5 7/8%)
Liffe long gilt future:	Dec 102 13/32	(Dec 101 3/4)

■ NORTH SEA OIL (Argus)

Brent 15-day Dec	$15.915	(15.78)

■ Gold

New York Comex Dec	$392.1	(390.0)
London	$389.2	(387.6)

■ STERLING

New York lunchtime:		
$	1.611	
London:		
$	1.6074	(1.5925)
DM	2.4168	(2.4207)
FFr	8.2975	(8.2965)
SFr	2.0133	(2.0121)
Y	157.279	(156.519)
£ Index	79.8	(79.6)

■ DOLLAR

New York lunchtime:		
DM	1.49795	
FFr	5.1445	
SFr	1.247	
Y	97.60	
London:		
DM	1.5036	(1.5201)
FFr	5.1622	(5.2096)
SFr	1.2528	(1.2635)
Y	97.85	(98.285)
$ Index	61.2	(61.6)
Tokyo close Y 97.97		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lw60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.825	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr8.50	Lebanon	US$1.50	Portugal (mainland)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

CONTENTS

SPD leader unbowed after defeat in German polls

By Michael Lindemann in Bonn

GERMAN ELECTIONS

Mr Rudolf Scharping was sitting relatively pretty as the dust settled yesterday on one of Germany's closest election results in years. And he seemed content to sit tight. Looking slightly more relaxed than during pre-election encounters with the press, the leader of the Social Democratic party (SPD) said he would give the government no quarter over the next four years. "Nothing will get done without the Social Democrats," he said.

True, Mr Scharping has not managed to unseat Chancellor Helmut Kohl and many party members, exasperated by 12 years of Mr Kohl, were obviously disappointed.

He had also not fought the most inspiring election campaign, allowing a lead of several percentage points in the spring to be turned into a 5.1 point bonus for Mr Kohl's Christian Democratic Union and its Bavarian sister party, the Christian Social Union.

He did, however, manage to improve on the party's dismal performance in 1990 when it won just 33.5 per cent. The odds were also against him: no modern German government has fallen at the elections; they have collapsed mid-term with the break-up of the governing coalition. Had Mr Scharping made it, he would also have been the first state premier to manage the leap from a provincial capital directly to the chancellor's office in Bonn.

Most importantly, party members and outside observers were agreed that Mr Scharping had emerged from Sunday's vote unchallenged as the party's leader. For the time being at least he has fended off a challenge from Mr Gerhard Schröder, the ambitious state premier of Lower Saxony, whose differences with Mr Scharping had several times caused confusion in SPD ranks.

Once again, though, it seems Mr Schröder will have to play second fiddle. Mr Scharping denied any prospects of a grand coalition and seemed content yesterday to sit out Mr Kohl's new and weaker coalition and wait his turn.

That could happen in two ways. The Free Democratic party (FDP), the small liberal party which has been in coalition with the CDU since 1982, might decide in the next few years to transfer its allegiance and support the SPD, reversing the move it made 12 years ago when it caused the collapse of the then SPD government.

A more plausible, though still distant, possibility is that the CDU and SPD move closer together over the next four years if it becomes apparent that Mr Kohl'a new 10-seat government majority is becoming untenable.

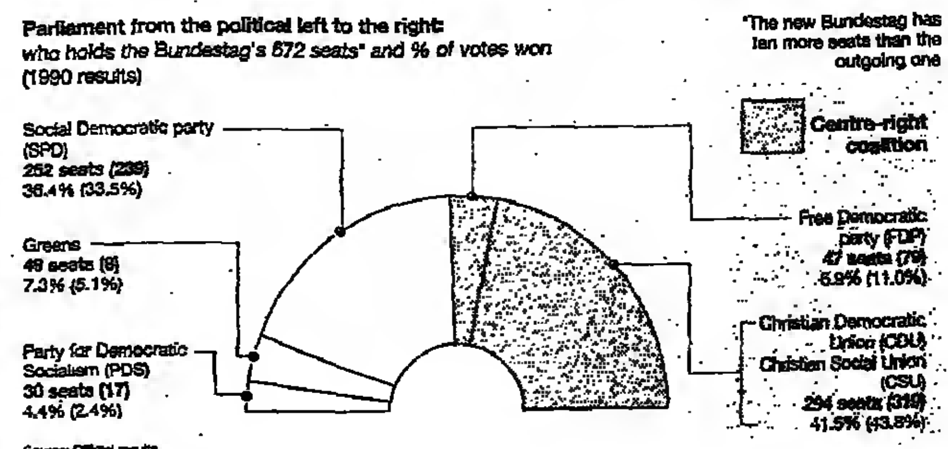
Such a grand coalition does in practice already exist. Mr Kohl has a majority of just 10 seats in the Bundestag, while the SPD controls just over 60 per cent of the votes in the Bundesrat, the upper chamber which represents Germany's 16 Länder, and which approves all Bundestag legislation.

The parallels with Mr Kohl bode well for Mr Scharping's future. Both were state premiers of the Rhineland-Palatinate, the wine-growing south-western German state.

Now Mr Scharping hopes that he will today be endorsed as the leader of the SPD's parliamentary party aged 46, as Chancellor Kohl was when he took over his party in Bonn in 1976. Mr Kohl had to wait just six years before he managed to move from parliament into the chancellor's office.

Rudolf Scharping: pledged to give Kohl governmant no quarter. 'Nothing will get done without the Social Democrats' Reuter

Election results: the coalition scrapes back



Source: Official results

'Overhang mandates' help swell Kohl's majority

Chancellor Helmut Kohl's governing Christian Democrat coalition, which in the early hours of the federal count had its slender majority reduced to two, managed to increase it by eight because of the "overhang mandates", a peculiarity of the German political system. The opposition Social Democrats gained four extra seats in this way, writes Judy Dempsey in Berlin.

The system works as follows. If a party gains more seats on the first vote (for directly-elected individual constituency seats) than its share based on the second vote (for the party) then the number of seats is increased by the difference. These are known as "overhang mandates". This is done on a state-to-state basis.

For example, in the case of Mecklenburg-Vorpommern, the CDU won seven of the nine constituencies. In the second vote, it was allocated five seats. This number reflects the state's share of the overall federal CDU party vote, which was just over 34 per cent, the equivalent of 232 seats.

But since the number of seats the CDU won on the constituency level exceeded by two the number of seats available to the Mecklenburg-Vorpommern CDU on the federal party list, the party still retains the right to send the seven directly-elected deputies. The extra two are known as overhang votes.

Through the overhang mandate system, the CDU won extra seats in several other constituencies, which helped boost Mr Kohl's majority. These include two overhang mandates in Baden-Württemburg, two in Saxony-Anhalt, three in Thuringia and three in Saxony. The outgoing Bundestag had six such overhang mandates. The incoming one will have 16.

Financial markets show their approval

By Andrew Fisher in Frankfurt

German financial markets opened yesterday with a positive reaction to the election result, but profit-taking and concern over the sharp cut in the government's majority left share prices slightly lower.

Initially, the Frankfurt stock exchange gained nearly 2 per cent, measured by the DAX-index of 30 leading shares, later easing to close 0.7 per cent down at 2,091 points.

Markets had already shifted last week from pessimism about a possible defeat for Chancellor Helmut Kohl to the expectation of a victory for the coalition his Christian Democratic Union (CDU) leads. Thus the vote's outcome had been discounted, with the DAX up by 7.4 per cent over the week.

The stock market also failed to draw any benefit from yesterday's firmer bond markat, where prices continued last week's gains. Traders said higher bond prices reflected the strength of the D-Mark which yesterday stood at around DM1.50 against the dollar, a two-year high.

Although the coalition's majority fell from 134 to 10, economists felt investora would be encouraged by the re-election of Mr Kohl's government, committed to making Germany more competitive through deregulation, privatisation and debt-cutting.

"The good news is that the government can continue," said Mr Norbert Braems, Frankfurt-based economist at Barclays de Zoete Wedd. But, he added: "The narrow majority does not make politics easier."

The first test would be the next budget; the government intends to reintroduce an income tax surcharge to help pay for east German reconstruction. The opposition would be strong, he said, particularly because of the Social Democrats' increased majority in the upper house, the Bundesrat – which can hinder legislation – thanks to its performance in Sunday's regional state elections.

Economists said the Bundesbank would watch to see how decisively the government held back public spending. The bank has been coocerned about the inflationary consequences of the cost of rebuilding east Germany.

Yesterday's September wholesale price figures for west Germany, with a rise of 2.8 per cent on the year against 2.2 per cent in August, showed inflationary tendencies persist.

The Bundesbank reported on a favourable trend in federal finances in its monthly report, however. It said the government had cash reserves of some DM11bn as a result of its capital-raising late last year. The federal cash deficit fell to DM15.3bn in the first nine months from DM38.7bn in the same period of 1993, partly as a result of a higher profit from the Bundesbank.

Election boost poses dilemma for east German party

The PDS must decide whether to widen its horizons, writes **Judy Dempsey in Berlin**

Leaders of the Party of Democratic Socialism, successor to east Germany's former Communist party, had much to smile about yesterday. They had won four constituencies in east Berlin, gained 4.4 per cent of the national vote, and will have 30 deputies in lower house of parliament, the Bundestag.

"Against all the odds, including the anti-PDS propaganda in the media, we have proved we are a genuine left-wing party for the east Germans," said Mr Gregor Gysi, its charismatic parliamentary leader. Ironically, however, the very success has exposed the party's weaknesses as it tries to define its role in the Bundestag, and what kind of party it wants to become.

Ms Christa Luft, economics minister in the last Communist government in East Germany who was elected for the PDS in east Berlin, said she would lobby hard for east German interests. "We have to have a new policy for the east German Mittelstand [small and medium-sized companies]. They require capital and financial assistance."

Mr Manfred Müller, a former banker who was also elected, wants a new housing policy for the east Germans. But Mr Gysi admitted it was too early to say what impact the PDS would have on the Bundestag.

One thing seems certain, however. The PDS will be working closely with the Greens and the Social Democrats to promote east German interests, and to dispel the persistent image in western Germany that it is at heart either still communist, or merely an ephemeral "protest" one.

To achieve the latter, the PDS knows it has to confront three issues: its membership structure; whether it will remain a regionally-based party for the east Germans, akin to Bavaria's Christian Social Union; and if it can isolate the Communist Platform, its influential Leninist faction.

The party's voting structure is already changing. Although 90 per cent of members are former communists, this does not reflect its vote Mr Andre Brie, the campaign manager, and Infas, the independent polling organisation, have shown that more than 20 per cent of PDS voters are under 25 – too young to have any meaningful communist background. However, more than 30 per cent are unemployed. "This vote will erode over time," said Mr Brie, adding that it would be strategically unwise for the party to rely on this protest vote. "When the economy picks up, peoples' voting habits will change."

The PDS will thus have to decide if it will remain a party for east Germans in the expectation that they will retain an identity, and interests, separate from west Germans', or should move into the western states – the party has already captured 5 per cent of the vote in the radical Kreuzberg district of west Berlin.

"We want to get a foot in the west and be seen as the alternative left-wing party," said Mr Lothar Bisky, PDS leader. That carries a risk. Were the PDS to go nationwide, it could split the left-wing vote in the west – to the advantage of Chancellor Helmut Kohl's Christian Democrats.

But these problems pale in comparison to the task the party faces in shaking off its communist legacy so that it can move towards becoming, at least in east Germany, a genuine east German social democratic party. If it wants to woo SPD votes in the east, and later in the west, it knows it must expel the Communist Platform.

Achieving this would remove the charge that the PDS is a mere front for communists. East Germany's SPD state and local governments might also find it ideologically more acceptable to work with. A "purge", though, would deprive the party of a vital and disciplined grassroots element which helped increase its influence in all five east German states. "But it is a showdown we have to have," said Mr Bisky. "And we have to addresa these issues very soon."

Parliamentary leader Gregor Gysi: "We have proved we are a genuine left-wing party for the east Germans." Reuter

Job cuts spark strike at Skoda

By Vincent Boland in Prague

Ten thousand workers at Skoda Automobilová, the Czech carmaker that is part of the Volkswagen group, staged a half-hour warning strike yesterday over plans to make 800 employees redundant by the end of the year. More stoppages are threatened.

The dispute risks disrupting the launch next month of Skoda's Felicia model, its first new product since 1988. It could also rebound on VW's delicate talks with the government on increasing its stake.

Skoda says the job losses, announced last month, are necessary to increase competitiveness and it has hinted at more next year. The company employs 17,000 people.

Union representatives insist, however, that wages are lower and productivity higher at Skoda's Mladá Boleslav plant north of Prague than in European Union countries.

Volkswagen's 31 per cent of Skoda is due to rise to 70 per cent under a 1991 agreement with the government, at a total cost of DM1.4bn. VW also agreed to invest DM8bn, but it announced last year that it would cut this to DM3.75bn after running up huge losses at its Seat subsidiary in Spain.

The original investment envisaged production levels of 400,000 cars yearly at Skoda by 1997, but this is expected to be changed to about 300,000 by the end of the decade.

Production has fallen steeply this year as the company's old Favorit model has been phased out and new assembly plants installed to produce the Felicia. Overall production is expected to dip to 180,000 this year from 220,000 last year, but Skoda says it should rise to 1993 levels again next year.

Skoda lost Kcs4.26bn ($154m) last year on revenues of Kcs35bn, and further losses are expected again this year.

Volkswagen and the government are discussing an addendum to the 1991 agreement under which the carmaker would commit itself to production, employment and investment targets. The talks are due to be completed by the end of this month. Even at its reduced level Volkswagen's investment is the biggest in the Czech Republic to date. Hostility to foreign investment is growing, however, as the Skoda investment and other high-profile deals, such as that of Air France in Czechoslovak Airlines, begin to run into problems.

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NEWS: EUROPE

Rouble probe says fears caused fall

By John Lloyd in Moscow

The official investigation into the reasons for tha more than 20 per cent fall in the value of the Russian rouble last week points to fears about the undarlying weakness of the economy and not to subversive or criminal manipulation of tha market, as senior Russian officials, including President Boris Yeltsin, initially suggested.

Mr Mikhail Zadornov, a member of a special investigation into the currency collapse, said yesterday that rising inflation, lower bank interest rates, a new tax on bank deposits and a presidential decree ordering all transactions of more than $10,000 (£6,329) to be reported to the tax police came together to produce a flight from the rouble. The probe is being led by Mr Oleg Lobov, the secretary of the Security Council, which reports to Mr Yaltsin on matters of national security.

The immediate cause of the rouble run, said Mr Zadornov, was "weak co-ordination" between the Finance Ministry and the Central Bank. He said the bank, which had drawn beavily on bard currency reserves which stood at only $5bn on August 1 during trading in August and September, had ceased to intervene last week and precipitated the crash.

The findings of a report by the commission investigating the currency fall, which has not yet been officially released, was confirmed yesterday by leading Moscow bankers. Mr Vladimir Vinogradov, president of Inkombank, said yesterday that a lack of financial products in which money could be invested - apart from short-term Treasury bills - meant that fears of inflation and the drop in interest rates sent investors fleeing from the rouble into the dollar.

"Why can't the Central Bank develop a range of products as others are learning to do?" asked Mr Vinogradov. Fears of a further sharp fall in the rouble in trading yesterday were not fulfilled. The Russian currency fell by only eight points to end the day at Rbs2996 to the dollar. The currency fell to Rbs4000 to tha dollar on "Black Tuesday" last week, to recover after bank intervention to Rbs2888 last Friday.

There is, however, less unanimity on the successor to Mr Victor Gerashchenko, the Central Bank chairman wbo resigned after what was said to be a frosty meeting with Mr Yeltsin last Friday – or even if his resignation is constitutionally in order.

Mr Zadornov, chairman of the parliament's budget committee, said his committee believed the resignation, accepted by Mr Yeltsin, should be debated by parliament and suggested that Mr Gerashchenko should be re-appointed acting chairman until another candidate is found.

Mr Vladimir Gusinsky, head of the Most financial group and vice-president of the Association of Russian Banks, said that the chairman "must be a professional, not a macroeconomist" – a comment which indicated that the bank chiefs are against the appointment of either Mr Boris Fyodorov, the former finance minister, or Mr Yegor Gaidar, the former prime minister.

The NTV independent TV channel – which Mr Gusinsky owns – reported on Sunday that Mr Gaidar would be appointed as head of the bank. However, his office said yesterday that Mr Gaidar would make no comment.

Mr Fyodorov said that the rouble's fall was engineered by the Finance Ministry and the Central Bank to "patch up the holes in the budget" by artificially lowering the rate of the rouble. He said the incident showed that the government had no defined economic policy and that there was "insufficient political will" to continue economic reforms.

Arrest warrant issued for Spanish financier

By Tom Burns in Madrid

An arrest warrant was issued yesterday for Mr Javier de la Rosa, the Barcelona-based financier wbo in the 1980s becama a symbol of the then booming Spanish economy as be orchestrated a major investment drive by the Kuwait Investment Office (KIO) into the country.

The chief prosecutor of Catalonia's supreme court in Barcelona, Mr Carlos Jimenéz Villarejo, said that the arrest had been ordered on counts of frand, misappropriation of public funds and falsification of legal documents in connection with Mr de la Rosa's loss-making holding company Gran Tibidabo and that he would oppose bail.

Mr de la Rosa is accused of rerouting towards other businesses in his holding Pta1bn (£4.96m) of a Pta10bn credit, guaranteed by Catalonia's Generalitat government, that ha obtained in order to develop a theme park south of Barcelona. Earlier this year Mr de la Rosa sold his interests in the theme park to a consortium headed by the UK's Tussauds Group, part of Pearson, owners of the Financial Times.

Mr de la Rosa, who was on a hunting trip in central Spain when the warrant was issued, meanwhile told a radio station that he was travelling back to Barcelona to present himself to the court but that he could not "understand what all the fuss was about".

The arrest order has shaken the domestic financial establishment, which had viewed Mr de la Rosa's rapid creation of one of Spain's biggest private fortunes with a mix of awe and envy.

"A lot of people considered de la Rosa an upstart and had it in for him but the general belief was be would get away with it; now they are thinking again," said a Madrid broker.

The development is seen as part of a wider judicial movement against the self-made multi-millionaires of the late 1980s that has already targeted Mr Mario Conde, who was removed as chairman of Banesto, one of the leading domestic banks, at the end of last year and Mr Manuel de la Concha, a former head of the Madrid stock exchange who was held briefly in prison earlier this year in connection with the collapse of a private banking empire he had created.

The move against Mr de la Rosa is also likely to have an embarrassing knock-on effect in Catalan political circles as his meteoric business career had been consistently backed by the local nationalist party as an example of Catalonian enterprise. Prosecutor Jimenéz Villarejo hinted yesterday that the judicial investigation into Mr de la Rosa's affairs could extend to local politicians.

Mr de la Rosa lost executive responsibilities at Grupo Torras, the KIO's investment arm in Spain, in a 1992 management shake-up and came under further pressure at a stormy shareholder meeting of his Gran Tibidabo holding in June after a revised audit declared losses of Pta11bn last year in place of profits of Pta16m.

Separately, the Barcelona financier, along with other former KIO executives, is being sued in Madrid and London by the Office's present board over alleged losses of Pta500bn that forced Grupo Torras into receivership two years ago.

Six-week row over cabinet prompts president's action

Poll called to end Bulgaria crisis

By Theodor Troev in Sofia and Anthony Robinson in London

The Bulgarian president, Mr Zhelyu Zhelev, yesterday ended a six-week-long cabinet crisis by dissolving parliament and appointing Ms Reneta Indjova to lead an interim government until early general elections on December 18.

Ms Indjova, a tough-minded, 41-year-old economist who helped to draw up the economic programme of the anti-communist Union of Democratic Forces (UDF), is the first woman premier in this Balkan country's political history.

Early elections were made inevitable by the refusal of the two biggest parliamentary groups, the Bulgarian Socialist party (BSP) and tha UDF to try to form a government to replace the non-party government of technocrats headed by Mr Lyuben Berov.

Mr Berov, who survived a severe heart attack in March and six no-confidence votes over the past 12 months, resigned on September 2 after successfully concluding negotiations for a reduction of Bulgaria's $9.3bn foreign debt and a strategically important oil pipeline deal with Russia.

His government, which was supported by Socialist party votes and a handful of breakaway groups from the UDF, was never forgiven by the UDF which won the October 1991 elections but resigned and was replaced after only a year in office by Mr Berov. This followed a no-confidence vote in Mr Philip Dimitrov, the then UDF prime minister.

The UDF saw the government as a front for the BSP with its roots in the communist past and continued to press for early elections. This is in spite of the fact that opinion polls indicate that the BSP is likely to emerge from elections as the largest party, albeit without an absolute majority.

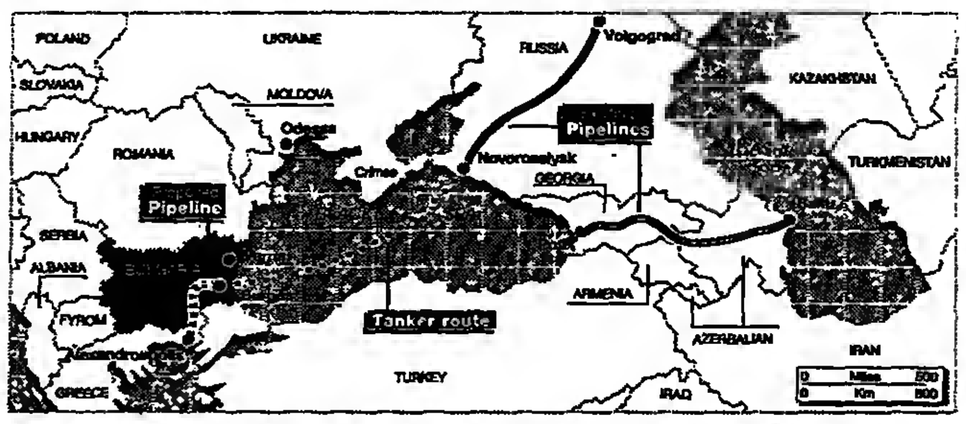
The government was also held responsible for the emergence of a new class of businessmen who made quick profits from the illegal, or so-called "shadow", privatisation of state or municipally owned assets.

Breaking the United Nations-imposed embargo on neighbouring Serbia and the Greek blockade of the former Yugoslav republic of Macedonia also made millionaires out of smugglers and led to widespread bribery of poorly paid officials and policemen, undermining public morale.

Sensitive to such complaints, President Zhelev appealed to Ms Indjova to declare war on crime and to clear the administration of people with Mafia-type connections.

Critics also blame the slow pace of privatisation for the lack of transparency which has encouraged the enrichment of former communist officials.

The outcome of the elections will be closely watched both by potential western and Russian investors who are looking for a government capable of improving the bureaucratic system and creating the institutional and legal framework needed to sustain several planned large infrastructure and industrial projects. The most important is a $700m oil pipeline, to be financed largely by Russian oil companies and Greek banking and shipping companies.



The pipeline will run from Burgas to the northern Greek port of Alexandroupolis, bypassing the congested Bosporus. It will strengthen the hand of Russia which is determined to maintain a stranglehold over future exports of oil and gas from the entire Caspian region by ensuring that future regional pipelines converge on its own Black Sea port of Novorossiysk before transshipment to Burgas and on to the Aegean sea.

Lisbon looks for rise in revenues

By Peter Wise in Lisbon

Portugal's centre-rigbt government yesterday presented to parliament a moderately restrictive budget for 1995 that allows room for a high level of European Union-financed investment in the approach to a general election next October.

Mr Eduardo Catroga, finance minister, said the budget deficit would be cut to 5.8 per cent of gross domestic product from an estimated 6.3 per cent this year. The reduction is to be achieved through increased revenue rather than by spending cuts.

Portugal aims to consolidate a downward trend for the budget deficit after a large budget overrun in 1993 wben the deficit jumped to 7.1 per cent of GDP. The original target for 1994 was 6.9 per cent but has been lowered as a result of higher than expected tax revenue.

Overall revenue next year is forecast to grow by 7 per cent compared with 1994, to Es3,649.2bn (£14.7bn). The central value added tax rate is to be raised from 16 to 17 per cent. But Mr Catroga said the direct tax burden would not increase as a percentage of GDP.

Public spending is to rise 5.2 per cent, above forecast 1995 inflation of 3.5-4.5 per cent, to Es4,380.8bn. But Mr Catroga said the increase in current spending would be lower than tba inflation rate. Public investment is to rise by 15 per cent, largely due to national budget contributions to EU-financed projects.

Tha government aims to stimulate economic recovery in the run-up to the election. GDP growth resumed in mid-1994 after two years of recession and is expected to reach 1.1 per cent this year. Mr Catroga forecast the economy would expand by 2.5-3.5 per cent in 1995.

But Mr Aníbal Cavaco Silva, prime minister, is also concerned to meet targets for nominal convergence with the EU, particularly now that the possibility of a multi-speed Europe has been raised by politicians in Germany and France.

Failure to cut public debt, inflation and interest rates would hinder Portugal'a participation in economic and monetary union. The 1995 budget deficit target Mr Catroga announced yesterday is equal to that earlier suggested by the European Commission.

"If we lose the battle to reduce the budget deficit, Portugal will forfeit the political weight required to defend its interests within the European Union," Mr Cavaco Silva warned at the weekend.

He was talking to trade unionists after the collapse of efforts to forge a 1995 wage pact between government, employers and unions.

NEWS: EUROPE

Finland's EU vote boosts Nordic hopes

By Hugh Carnegy in Helsinki and Karen Fossli in Oslo

Mr Iugvar Carlsson, the Swedisb prime minister, flew to Oslo yesterday for talks with Mrs Gro Harlem Brundtland, his Norwegian counterpart, as the two leaders sought to capitalise on Finland's approval of European Union membership in their own EU referendum campaigns.

Both Mr Carlsson, making his first trip outside Sweden since his Social Democratic party won last month's general election, and Mrs Brundtland welcomed the result of Sunday's Finnish vote and said it should help persuade sceptical voters in Sweden and Norway to accept EU membership in referendums due in the two countries on November 13 and 28 respectively.

Opposition in Sweden and Norway is more deeply entrenched than in Finland. Mr Carlsson's own cabinet includes two prominent anti-EU campaigners. But he said the Finnish vote undercut the argument from the no campaign that there was a Nordic alternative to the EU. "It would be striking for Swedeo to be outside the Union when Denmark and Finland are inside," he said.

However, leaders of the strong anti-EU campaigns in both countries said the Finnish result – a yes victory by 57 per cent to 43 per cent – was not as decisive as had been expected and they pledged to continue their fight against joining the Union. Ms Anne Enger Lahnstein, leader of Norway's anti-EU Centre party, said: "Supporters of the EU are depending on a momentum from Finland. Bnt Norwegians will react against such an influence."

The Finnish vote meant two out of the four European Free Trade Association countries which agreed terms for EU membership earlier this year have now won national referendums on the issne. Austria voted in June by an even clearer margin than Finland.

The last hurdle in Finland before taking up membership on January 1 – a historic move for a neutral country which has lived in the shadow of Russia for generations – will be a so-far unscheduled parliamentary vote. Under the Finnish constitution, membership must be approved by a two-thirds majority, leading to some concern that EU opponents might try to mount a last-ditch blocking effort.

Finns see new era of prosperity in Union

By Hugh Carnegy

The Finnish electorate's clear approval of the country's move to join tbe European Union was welcomed yesterday by government and both sides of industry who believe membership will cement Finland's recovery from the deepest recession experienced by an industrialised country since the second world war.

"EU membership is good for our economy," said Mr Sixten Korkman, director general of the finance ministry's economics department. "It should help to sustain the momentum of our recovery and help to bring down long-term interest rates. Investment activity should benefit because there will be more certainty about the rules of the game." Mr Jarl Köhler, bead of the country's forestry industry association, said: "This means a lot for [Finnisb] industry, especially for the forestry industry."

Finland's economy is already rebounding from a recession that between 1990 and late 1993 saw output shrink by some 15 per cent, the deepest slump in any member of the Organisation of Economic Co-operation and Development in the post-war period.

Loss of vital trade with the neighbouring Soviet Union, the bursting of a huge 1980s credit boom, the international recession and the burden of a big welfare system combined to throw the economy violently into reverse, driving up unemployment to almost 20 per cent of the workforce.This year an export-led recovery has taken hold, with the country's big forestry industry and companies such as Nokia, the telecommunications group, benefiting from renewed international demand and the low value of the Finnish Markka, which is about 20 per cent below its 1991 level against a basket of currencies.

Gross domestic product is expected to grow by about 4 per cent this year and by at least 5 per cent in 1995.

Finnish political and business leaders have been careful not to portray EU membership as a magic formula for greater growth. Although Finnish exports will no longer be subject to EU customs duties, most of the other direct trading benefits of membership are already available through Finland's membership of the European Economic Area.

Mainly because of the extra costs of cushioning Finland's highly subsidised agriculture from the adjustment to lower EU producer prices, EU membership will add a net FM10bn (£1.25bn) in costs to the government's budget in 1995. This will help push up state debt set to the equivalent of 70 per cent of GDP next year and prolong the struggle to bring the budget deficit to within the EU's Maastricht criteria for European monetary union.

But the benefits of membership are expected to flow in other ways. Lower agricultural prices will further dampen annual inflation, already running at a lowly 2 per cent. Yesterday, long-term interest rates continued the downward path they have been following since opinion polls began forecasting a firm Yes vote in the referendum. Yields on 10-year government bonds stood at around 10 per cent, down from a peak of around 11.5 per cent in mid-August. The Markka also strengthened in another sign of market confidence.

The hope is that such trends will boost investment – which is vital to sustain the ambitious levels of growth needed to make significant inroads on unemployment. A recent presidential commission on unemployment said annual growth of 5 per cent was required up to the end of the decade just to get unemployment down to 8 per cent from the present level of 18 per cent.

Finnisb officials are also hoping that being in the EU will encourage foreign investors to look more seriously at Finland, which only abolished its last restrictions on foreign ownership of Finnish companies at the end of 1992. Since then there has been a flood of foreign buying of shares in Finnish companies, but little direct foreign investment in the country.

In the drive to attract inward investment, the new Invest in Finland bureau, set up by the government, is stressing the location of the country as a gateway to trading with Russia, with which Finland shares a 1,270km-long border and a long history of trading ties.

EUROPEAN NEWS DIGEST

Euronews seeks new investors

The four big public television shareholders in Euronews – Europe's attempted answer to CNN of America – yesterday pledged to fund the satellite news station for the next two years and to bring in private capital.

The French, Italian, Spanish and Swiss public television companies, which together own about half of Euronews, promised to provide "the oecessary funding" for the station to continue in 1995-96. Euronews has so far piled up losses of FFr150m (£18m) in its first two years of transmitting identical pictures in five different languages for 20 hours a day, despite a FFr20m a year subsidy from the European parliament. Its main problem is that despite a claimed audience in the tens of millions, through cable, satellite and terrestial re-broadcast, it has failed to pull in much advertising. *David Buchan, Paris*

Italian grain 'king' arrested

Mr Franco Ambrosio, the largest private grain trader in Italy, was arrested yesterday in Naples on charges of being involved in illicit financing of political parties. The charge related to a L7.5bn (£3m) payment made in 1990 by the late Pietro Barilla, then a leading industrialist, which Mr Ambrosio is alleged to have deposited in a Swiss bank account on behalf of the Socialist party. The arrest was ordered by Milan magistrates as part of their investigations into the secret use of accounts at the Clariden Bank, Geneva, by the Socialist party, then beaded by Mr Bettino Craxi. Mr Ambrosio, dubbed "the king of grain", has his trading base in Naples and he is the biggest business figure in southern Italy. He has already been arrested once in the past year on charges of alleged corruption, but this related to investigations by Naples magistrates. *Robert Graham, Rome*

Swedish sell-offs to slow down

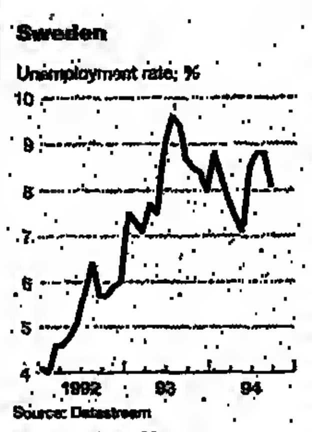
Sweden's new Social Democrat industry minister, Mr Sten Heckscher, has said two existing privatisation plans would continue but that he was less enthusiastic about state asset sales than his conservative predecessor. "Privatisation is not a religion for us," he said in a weekend interview with the business daily, Dagens Industri. The planned flotation of the bank, Nordbanken, and the sale of more shares in the drugs maker, Pharmacia, would continue. However, in Nordbanken's case, Mr Heckscher said there would be no hurry to comply with the target of early 1995 set by the previous minister, Mr Per Westerberg. Mr Heckscher said that he would consider some privatisation of the national telecommunications company, Telia, "but I am convinced that the state must ensure it has a significant control over this company in the foreseeable future". *Reuter, Stockholm*

Greek opposition gains ground

Greece's conservative opposition New Democracy party came out ahead in Athens and Thessaloniki in Sunday's first round of local government elections, but the governing Panhellenic Socialist Movement (Pasok) retained its popularity in the countryside. Mr Constantine Kosmopoulos, the ND candidate, won a second term as mayor of Thessaloniki, capturing 52.4 per cent of the vote to 32.1 per cent for Mr Nikos Akritides of Pasok. In Athens, Mr Dimitris Avramopoulos of ND, took 44.2 per cent of the vote to 32.3 per cent for Mr Theodoros Pangalos, Pasok's ex-European affairs minister. Mr Pangalos predicted victory in next Sunday's run-off. *Kerin Hope, Athens*

ECONOMIC DIGEST

Swedish unemployment falls



Source: Datastream

Unemployment in Sweden fell last month in line with a trend of gradual improvement in the economy, but the numbers out of work remain at historically high levels. Those without work or places in government training programmes totalled 346,000, or 8.1 per cent of the workforce, in September, down from 8.8 per cent in August and below the figure of 8.7 per cent a year ago. Although an export-led recovery has created many jobs, much of the fall in unemployment in September was due to a rise in the number in training schemes by 40,000 to 289,000.

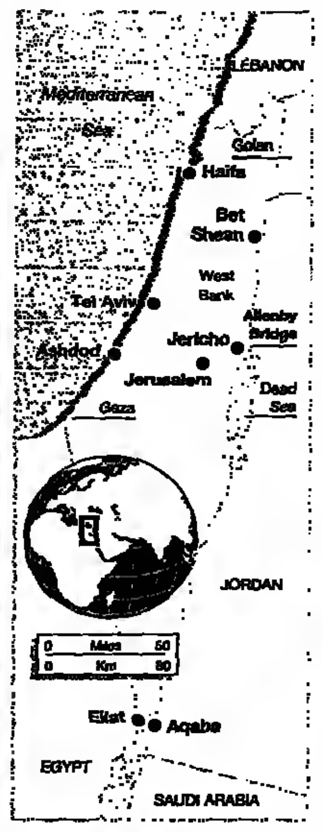
■ The number of jobless in Poland fell to 16.5 per cent in September from 16.8 per cent in August, but it was up from 15.4 per cent a year ago.

■ Hungary's monthly consumer price index rose 2.3 per cent in September, np from 1.4 per cent in August, making it 18.9 per cent higher than a year ago.

Cornerstone for new Middle East

Israel and Jordan point the way to regional economic changes, writes Julian Ozanne

Rabin (left) and Hussein: signing a peace treaty yesterday against all the odds



The Israel-Jordan peace treaty initialled in Amman yesterday is the most important cornerstone yet of plans for a new Middle East marked by Arab-Israeli trade, integration and regional economic development.

The geographical proximity of the two countries and the opportunities for joint projects in energy, water, tourism and shared use of ports, airports and roads will take the new Middla East beyond the drawing board.

The agreement comes two weeks before Arabe and Israalis are due to meet in Casablanca at a conference to discuss an economic blueprint to cement peace in the Middle East. On the Casablanca agenda are plans to form a regional development bank, initially capitalised at $10bn, and to raise finance for at least 150 private and public sector projects worth $25bn (£15.8bn) in investment over 10 years.

Furthermore, with a second Arab neighbour formally at peace with Israel, economic relations with Egypt, a much larger economy than Jordan, ahould increase after more than a decada of cold and cautious peace and minimal trade.

"This is an enormously important piece of the economic puzzle," Mr Ehud Kaufman, senior Israeli economic negotiator, said yesterday. "Jordan is a trading country et the heart of the Middle East with western standards and a desire to boost its economy."

Economic negotiationa between Israel and Jordan, backed by detailed plans, are already well advanced and yesterday's agreement will allow for speedy implementation of projects.

First on the agenda is the construction of dams on the Yarmouk and Jordan rivers and a desalination plant at the Sea of Galilee. Under the peace agreement, Israel has promised to raise the finance and, says one official, the European Union has agreed to meet half the costs. There are hopes of finance from the US-becked Overseas Privete Investment Corporation.

The second most immediate development will be the wider opening of borders to promote trade and tourism. A new border crossing at Bet Shean south of the Sea of Galilee is expected to be opened early next month. The main aim of the crossing, supported by an upgrading of roads, will be to give Jordan access to the Israeli Mediterranean ports of Haifa and Ashdod.

The new crossing, combined with that opened two months ago between Aqaba and Eilat, will also boost tourism. Once the agreemant is formally signed, Jordan is expected to lift the ban on Israeli passport holders crossing into Jordan and to speed the movement of vehicles.

Israel last week transferred responsibility for a third crossing at the Allenby bridge from tha military to the ministry of transport and Jordan abolished the requirements for special permits to cross the bridge.

In return for Jordanian access to Israel's ports, Israel is hoping for a quick agreement for shared use of Jordan's huge Red Sea port at Aqaba to gain easy access to markets in east Asia. Use of Aqaba would also allow Israel to give scarce land in Eilat, currently used by its port, over to the more profitable and booming Eilat tourism industry.

In trade, Mr Kaufman said yesterday, the agreement would allow Israeli negotiators to move ahead quickly with e formal bilateral trade deal. Israel has already granted Jordan a preferential trade concession worth $30m a year for exports into the still Israeli-occupied West Bank.

Mr Kaufman said both sides were committed in principle to a free trada area with the removal of customs barriers but first would conclude an agreed list of products. While Israel would continue to give Jordan preferential trade treatment to support its political courage, he seid Israel now wanted e formal agreement to "underscore the fact that the trade boycotts and barriers are removed formally and in practice". Within a few years trade could approach $1.5bn or $2bn, Mr Kaufman said.

Air links between the two states are also expected to be concluded within weeks of the formal signing ceremony. Linking the electricity grids of Israel and Jordan is already under way, starting with Eilat and Aqaba.

Jordan's $4.5bn economy is dwarfed by Israel's which last year had a gross national product of $70bn. But the two countries, spurred by the political commitment of their leaders to a new Middle East, are the most likely to develop economic co-operation providing both a vital building block and a model of economic transformation in the region.

Roger Matthews shows just how delicately balanced Arab-Israeli negotiations have proved to be

Three days is a long time in this peace process

Just how delicately balanced the Middle East peace process remains was never better illustrated than during the past 72 hours. On Friday afternoon it was legitimate to speculate about a possible collapse of the negotiations between Israel and the Palestine Liberation Organisation, with potentially devastating consequences for the entire movement towards a lasting settlement. By yesterday afternoon not only had that fear receded, but the momentum towards peace had gathered pace with the signing of a draft agreement between Israel and Jordan.

The advocates of peace, and its enemies, will both probably have been heartened by events. Hamas, the radical Palestinian faction, will have noted how close it came to provoking Mr Yitzhak Rabin, Israel's prime minister, into breaking off talks with the PLO and forcing a bitter confrontation among the Palestinian community.

Little suits Hamas better than being able to portray Mr Yassir Arafat, the PLO chairman, as a tool of Israeli security policy in repressing Palestinian national ambitions. By first staging a terror attack in the heart of Jerusalem and then kidnapping an Israeli soldier, Hamas got the reaction from Mr Rabin that it sought. The end to the kidnapping, tragic though it was, would have been so much worse had Hamas been holding the soldier in territory under the control of Mr Arafat's police.

The speed with which Mr Rabin announced the resumption of talks with the PLO, suspended last week, on the holding of elections in the West Bank and Gaza and the further redeployment of Israeli troops, suggests the Israeli government is aware of how dangerously close the peace process had come to breaking down. It was also fortuitous that negotiations with Jordan had progressed to the point that Mr Rabin was able to head almost immediately to Amman where he and King Hussein worked late into Sunday night to complete their agreement.

King Hussein had signalled in June his intention to press ahead with bilateral negotiations. Frustrated by the lack of co-ordination among his Arab negotiating partners, and generally depressed about the political health of the region, King Hussein said he had no option hut to concentrate on his own immediate interests. The Jordanians had been angered by the behaviour of Mr Arafat, particularly over future links between the two economies, and were being given little information by the Syrians on the progress of their negotiations with Israel.

"We cannot wait any longer. We have to address the problems which relate to the interests of this country," said King Hussein.

This he has now done. In the process, the king has cemented his rapprochement with the US after the breach caused by the Gulf war, and will probably be successful in winning debt relief on some $2bn owed to western governments. Simultaneously he has given Israel the satisfaction of having picked off the third of the five Arab nations which had sworn to remain forever united before the Zionist foe. Egypt, the Palestinians and Jordan hava all now signed separate deals. Only Syrie and Lebanon remain.

On paper, the last stage should not present too formidable an obstacle. The broad outline of an agreement is already well understood by all sides. Syria requires Israel to withdraw totally from the Golan Heights, occupied in 1967. The Lebanese government, which will not act without Syria's blessing, similarly wants Israel to quit territory in the south of its country. Israel is demanding a full normalisation of relations.

The critical issue is over timing. Israel says it must have prior evidence of the Syrian commitment to peace before it will begin a staged withdrawal, which would only be completed over several years. The Syrians, of course, want their land back first.

Given the deeply suspicious nature of Mr Rabin and President Hafez al-Assad of Syria, it was to be expected that the mediation efforts of Mr Warren Christopher, the US secretary of state, would only edge forward slowly. But US officials are confident progress is being made and the most optimistic talk about a breakthrough before the end of the year. Nothing would provide a greater blow to the ambitions of Middle East extremists than the sight of Mr Assad and Mr Rabin shaking hands.

More than 5,000 Islamic supporters, some armed, marched through Gaza City yesterday calling for the dismissal of the Palestinian military chief in a continuing upsurge of tension in the Palestinian controlled area, reports Julian Ozanne.

The march followed riots earlier in the day by angry students demonstrating against an internal Palestinian crack down on the extremist Hamas movement responsible for the kidnapping and killing of an Israeli soldier last week.

Hamas has demanded that Mr Yassir Arafat, leader of the Palestine Liberation Organisation, sack Gen Nasr Youssef who last week headed the operation to arrest and question Hamas activists believed to have information on the kidnapped Israeli. During yesterday's march organised by Hamas some activists fired guns in the air in defiance of last week's PLO decision to ban unlicensed firearms.

The disturbances reveal the bitter divide which has emerged between the PLO and Hamas since the kidnapping crisis. In an effort to calm the tension Mr Arafat yesterday began releasing some of the 300 Hamas activists he arrested last week and detained a PLO general who ordered his troops to fire in the air during e Hamas demonstration at the Gaza central prison on Saturday.

Mr Arafat's advisers have warned the PLO leader against giving in to Israeli and western pressure.

China air traffic accord with US

By Tony Walker in Beijing

China and the US yesterday agreed to co-operate in converting the Chinese military-dominated air traffic control system to civilian management under an agreement signed by senior US and Chinese officials.

Mr William Perry, the US defence secretary, and Mr Ding Henggao, minister of the Commission of Science, Technology and Industry for National Defence, agreed to "pursue preliminary co-operation in air traffic control aystems and technology".

The signing follows the Sino-US decision earlier this year to establish a Joint Defence Conversion Commission to provide a framework for co-operation in transforming military industries to civilian use.

Mr Perry and his Chinese counterparts were seeking improved defence co-operation as part of attempts to enhance Sino-US relations. Other issues discussed by the US defence secretary and Chinese officials included human rights, North Korea and non-proliferation of nuclear technology.

The US had identified air traffic control, exacerbated by confusion between civilian and military controllers, as a priority because of China's poor safety record.

At present China's military controls 90 per cent of the skies, with civilian controllers playing a limited role.

US officials did not go into details, bnt the transformation of China's chaotic air traffic control syatem will lead to greater involvement of US companies in the building of a modern network.

Mr Perry arrived in China on Sunday at the start of a four-day visit aimed at consolidating a recent improvement in Sino-US relations. But US officials made it clear that an ambargo on arms sales to China would be maintained.

Imposition of sanctions on sales of military equipment followed the bloody events of 1989, when the military turned its guns on pro-democracy protesters in Beijing.

Chinesa media hailed the visit, saying it marked the "resumption of high-level contacts between the two countries." US officials expressed satisfaction with the wide-ranging discussions, which included human rights issues.

Mr Perry spent two hours in talka with General Chi Haotian, his Chinese counterpart. These discussions will continue over the next few days.

● Guy de Jonquières, Business Editor, adds: Mr Richard Needham, Britain's trade minister, has cancelled plans to visit three Chinese provinces this month after being told by Beijing that his visit was "inopportune."

The move appears intended to underline Beijing's continuing anger at political reforms in Hong Kong instituted by Mr Chris Patten, the colony's governor. However, the Department of Trade and Industry in London was playing down the significance of the incident. It said ministerial visits were always subject to last-minute change and Mr Needham had known the visit was not going ahead before he left for a Far East tour at the weekend.

Kenya central bank comes under attack from angry exporters

Exporters complain of unfair burdens, Leslie Crawford reports

The central bank of Kenya has coma under siege from irate exporters who claim a rapid appreciation of the Kenya shilling is strangling their $200m (£133m)-e-year eales of fresh vegetables and cut flowers to European markets.

Since the abolition of foreign exchange controls 12 months ago, the Kenyan currency has strengthened by more than 30 per cent against the dollar. A wave of speculative capital has come from ehroad, chasing high-yielding Treasury bills which offer some of the best rates of return in the world.

Exporters complain they are shouldering the cost of the government's inability to bring its budget deficit, and the inefficiencies of its large parastatal sector, under control.

"Interest rates must come down," says Mr Richard Evans of Homegrown, the largest suppliers of fresh horticultural produce to Marks and Spencer in the UK.

"Speculators are making windfall profits on Kenyan treasury bills, while my earnings are down by 30 per cent." Smaller export-oriented companies, he adds, are on the brink of disaster.

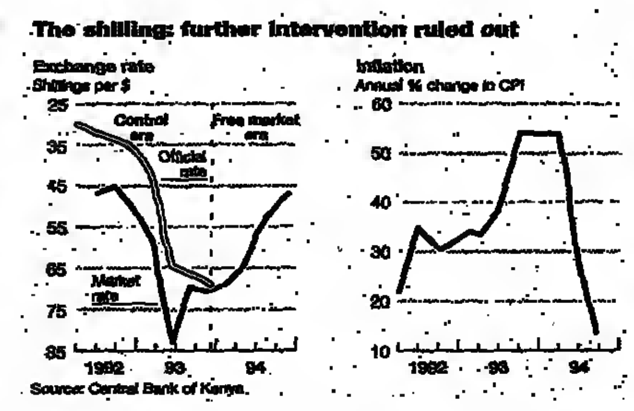
The predicament of Kenya's horticulture exporters, who are the third largest exchange currency earners after tourism and coffee, poses an unprecedented challenge for Mr Micah Cheserem, central bank governor.

If it were not for the bank's frequent interventions in the money market to buy surplus dollars, the shilling would be even stronger than it is.

But the central bank has already accumulated $800m of reserves, enough to cover six months' imports, and ruled out any more interventions, to stabilise the currency market.

The unexpacted dollar bounty marks a dramatic turn of events. Only last year, the Kenyan govarnment was forced to reschedule $500m of debt arrears.

The shilling: further intervention ruled out



Source: Central Bank of Kenya.

Arap Moi: upsurge of unrest

Mr Cheserem believes his success in curbing inflation, from an annualised rate of over 50 per cent last year to under 20 per cent, should allow interest rates to come down and a more realistic exchange rate to emerge.

Treasury bill yields have fallen from a high of 80 per cent in June 1993 to 16 per cent this month, but commercial banks have been slow to follow suit.

The prohibitive cost of credit has discouraged new investment in Kenya's economy, which has seen no significant growth in over two years.

"When inflation reaches single digits," Mr Cheserem says, "we will see a revival in economic activity, and the greater demand for imports should ease the dollar glut."

Kenya will be hosting an investors' conference in London next month, during which its rapid progress in deregulating the economy will be on display. Import curbs have been abolished, the currency is now freely convertible, and a host of incentives are in place to attract foreign investors.

Doubts persist, however, about the willingness of President Daniel arap Moi's government to tackla more fundamental reforms.

Littla progress has been made in the programme to privatise loss-making parastatals, largely due to the inertia of civil servants. Meanwhile, the services provided by parastatals (telecommunications, electricity, water and the upkeep of roads) continues to deteriorate.

President arap Moi has faced an upsurge in social unrest in recent months, with doctors and university lecturers staging strikes to demand government recognition of their unofficial trade unions.

Both groups returned to work in September defeated, but the government's refusal to tolerate independent trade unions has drawn criticism from human rights groups and donor governments.

Donors will be meeting in late November to review Kenya's economic progress and assess the country's aid requirements for 1995.

Aid pledges are expected to be substantially lower than the $850m obtained last year, partly because of continued concern over Kenya's human rights record.

INTERNATIONAL NEWS DIGEST

Tokyo surplus down again

Japan's trade surplus continued its slow decline in September, for the second month running, with en unexpectedly large 4.6 per cent annualised fall, to $11.94bn (£77.2m). A strong growth in imports, sucked in by Japan's recovering economy, outweighed a rise in exports to the fast-developing markets of Asia and to a strong US economy. It brings the trade gap for the aix months to the end of September to $59.38bn or 0.7 per cent less than the same period of 1993, the first such decline for 3¼ years. On a three-month sliding average, which shows a clearer trend for Japan's volatile surplus, the gap, at $9.4bn, is the lowest since January last year. "It's pretty clear the surplus is declining, though at a painfully slow rate," said Mr Jim Vestal, chief economist at Barclays de Zoete Wedd in Tokyo. The good news was partly undermined by a 13.2 per cent rise in Japan'e trade surplus with the US, to $27.09bn in the six months to September, suggesting that yesterday's figure will bring little relief to Japanese industry in the form of a weaker yen. Japanese exports to all destinations in the first six months of the fiscal year rose 8.3 per cent, while imports grew rather faster, by 12.7 per cent. Increased energy use during Japan's unusually hot summer is one reason for the rise in imports. Another is the strong growth in purchases of foreign food, drink, clothing and other consumer goods, where the yen's strength has fed through to bargain prices. Three-quarters of export growth came from sales to other Asian countries, Japan's fastest growing market and investment destination, where the trade surplus for the six months rose to $31.4bn. This continues a trend started last year, when Japan's surplus with Asia outstripped its surplus with the US for the first time. But so far, Japan's Asian trade gap has produced none of the political problems of its surplus with the US. *William Dawkins, Tokyo*

Interest rate controls lifted

Bank interest rates in Japan were yesterday freed from final government controls, as the finance ministry completed a series of deregulatory measures begun in 1985. Interest rates on ordinary and savings deposits rose slightly above their peviously fixed levels, in line with the general upward drift in market interest rates. Rates on ordinary bank deposits, which were a uniform 0.22 per cent a year, increased to between 0.27 per cent and 0.3 per cent at the country's main commercial banks. Rates on time savings deposits rose by between 0.05 and 0.1 percentage points. Until 1985, virtually all Japanese interest rates were fixed by the government, as it sought to keep both borrowing and lending rates low, to finance the country's post-war economic reconstruction. But, under pressure from foreign governments and financial institutions, the finance ministry allowed a limited deregulation of interest rates that year. A slow, rolling process of deregulation ensued. The deregulation will put further competitive pressure on banks, already weakened by a large stock of bad debts. In future they will be forced to compete more on interest rates than services; in a period of rising rates, that is likely to eat further into their already poor profitability. *Gerard Baker, Tokyo*

Japanese bankruptcies decline

Corporate bankruptcies in Japan continue to decline, but those companies that do collapse are getting bigger, according to Teikoku Databank, a credit research agency. The number of companies to close their doors fell by 6.8 per cent from e year earlier to 1,143 in September, for the third month in a row. But their debts piled up by 30.2 per cent to Y568bn (£3.8bn), the highest this year, a sign of bow companies damaged in the recession can easily be brought down by the strains on working capital imposed by even e gentle upturn. A handful of large corporate collapses was to blame, including the Y100bn failure of Fasuto, a property developer, and a rise in bankruptcies in construction and manufacturing, Teikoku says. Of the total, 702 bankruptcies were caused by recession, while a surprisingly low 10 casualties were attributed to the strength of the yen. *William Dawkins, Tokyo*

Telecom networks in Africa

A unit of Japan'e Nippon Telegraph and Telephone is joining a project of California's Stanford University to set up telecommunications networks in Africa using optical fibre networks and satellites. Nippon Telegraph and Telephone International and Hughes Aircraft of the US agreed to join Afronetwork, a company set up in June by Stanford's Satellite Planning Centre. The company would provide consulting services for the construction and management of telecommunications networks in African countries. Separately, Tunisia and AT&T of the US are discussing a cable project around the African continent. *Reuter, Tokyo*

Iraq considers border issue

Iraq's People's Assembly yesterday gathered for an extraordinary, secret session, amid speculation that it was about to approve the recognition of United Nations demarcated borders with Kuwait and the Gulf state's sovreignty - a fundamental UN Security Council precondition for any moves towards the easing of sanctions. The hastily-called meeting was expected to deliver an official recognition of Kuwait's sovreignty and borders in the terms required by this weekend's Security Council resolution, which called on Iraq to make the recognition through "full and formal constitutional procedures". No announcement was forthcoming at the end of the meeting. In New York, Mr Andrei Kozyrev, the Russian foreign minister, reported formally to the UN security council on his Baghdad talks and reiterated Moscow's view that members should consider lifting the oil embargo in about six months if Iraq ahowed honest co-operation and followed through with recognition of Kuwaits borders. Ms Madeline Allbright, the US delegate, responded that the crisis created by the recent Iraqi troop deployments was still not over. As for promises made to Mr Kozyrev America placed no more value on these than on previous Iraqi pledges. The council should categorically reject any idea of rewarding Ireq for " partial compliance with some of its obligations," she said, citing a list of other requirements under UN resolutions. *Mark Nicholson, Baghdad ond Michael Littlejohns, New York*

Indonesia looking for $50bn

Indonesia will need more than $50bn (£33.3bn) in infrastructure investment over tha next five years, President Suharto said at the opening of the world infrastructure forum Asia, which the Indonesian government is hosting this week. "We hope most of this investment is borne by the private sectors, both domestic and foreign," he said. According to a government report Indonesia needs the private sector to invest at least $18bn in infrastructure projects over the next five years. That investment will be channelled mainly into toll roads, container ports, airports, power plants, housing and water supplies. In June, the government unveiled a deregulation package for foreign investment which opened up most of these sectors to foreign capital. *Manuela Saragosa, Jakarta*

Suharto trial is postponed

President Suharto yesterday forced the postponement of his own trial in a landmark suit charging him with diverting state funds meant for preservation of Indonesia'e rain forests. As no presidential lawyer turned up for the bearing on the opening day of the trial, Judge Benyamin Mangkudilaga of Jakarta's State Administrative Court said he had no option but to put it off until Oct. 31. Mr Suharto is not expected to testify in the trial, the first time he has been taken to court in his three decades of power. The suit, filed by six environmental groups in August, accuses Mr Suharto of ignoring ecological concerns by diverting $183m in state forestry funds as an interest-free loan to the state-owned Indonesian aircraft industry for a project to develop a passenger plane. The prototype of the 64-seat turboprop plane is scheduled to roll out of the plant next month, coinciding with a summit of beads of state from the Asia Pacific Economic Cooperation forum. *Reuter, Jakarta*

NEWS: WORLD TRADE

Honda to double Thai capacity

By Michiyo Nakamoto in Tokyo and Victor Mallet in Bangkok

Honda is investing more than Y10bn ($100m) in a new car-making plant in Thailand, a move which will double its Thai capacity and may lead to the production of a small, popular car for Asia, the company announced yesterday. A ground-breaking ceremony for the new press-stamping factory near Ayutthaya, 70km north of Bangkok, is to take place next week.

The plant, which should be completed in early 1996, will incorporate research and development capability, according to the Japanese vehicle maker.

The decision to double capacity reflects both the rapid growth of the Thai domestic market for cars and Thailand's campaign to become a regional automotive centre by welcoming foreign manufacturers with investment incentives.

"Thailand is one of the best potential markets in Asia," Mr Tetsuyo Honda, a Honda executive in Bangkok, said yesterday. China, Indonesia, and India were also promising markets in the longer term, he said.

Honda in Thailand does not make the pick-up trucks which at present account for more than half the vehicles sold in the country. With only a 7.4 per cent share of the total Thai vehicle market, it lags behind the four dominant Japanese manufacturers: Toyota, Isuzu, Nissan and Mitsubishi.

But sales of Honda passenger cars, most of them Civics and Accords assembled at an existing plant in Thailand, have surged 60 per cent in the first nine months of this year to reach 26,000 units, giving Honda a 23 per cent share of Thai passenger car market – second only to Toyota.

With increasing spending power and growing wealth in the population, the Thai passenger car market is expected to grow strongly to reach about 400,000 units by the end of the decade, Honda said. The market grew rapidly from 67,000 units sold in 1991 to 174,000 units last year, although it has declined by 14 per cent in the first nine months of 1994.

"Currently the pick-up market is bigger than the passenger car market," said Mr Honda, "but the desire of mankind is for more speedy and more comfortable transport. This kind of desire is unlimited. This is the market trend."

Honda expects its expanded Thai manufacturing facility to be one of the recipients of vehicle components it will produce in China under a joint venture arrangement with a Chinese parts maker which it announced last week.

Toyota of Japan is considering increasing vehicle production capacity at its Indonesian and Philippines units to an annual 150,000 and 50,000 vehicles respectively by 1997, Reuter reports from Tokyo.

Such a move would double its combined vehicle production in south-east Asian countries to an annual 520,000 in 1997, a spokesman said. In 1993, Toyota produced 24,799 vehicles in the Philippines, 51,535 in Indonesia, 114,752 in Thailand, 52,928 in Taiwan and 13,488 in Malaysia. In February 1993, Toyota said its Thai unit Toyota Motor Thailand in Samrong, east Thailand, would invest about 9bn baht ($360m) over the next four years to double car production capacity to 200,000 and set up a training centre for service technicians.

Mitsubishi to launch Dutch-made hatchback

By Kevin Done, Motor Industry Correspondent

Mitsubishi Motors is to begin its first car production in Europe in the first half of next year at its joint venture plant in the Netherlands, Mr Hiroshi Ninomiya, president of Mitsubishi Motor Sales Europe, said last night.

The company aims to achieve production of up to 100,000 Mitsubishi cars a year by 1997 at the Nedcar plant, which it owns jointly with Volvo, the Swedish carmaker, and the Dutch government, each holding a one-third stake.

The partners are investing Fl 3.4bn ($1.9bn) in the project to modernise the former Volvo Car BV plant at Born in the Netherlands in order to create a total capacity to produce 200,000 cars a year, which will be shared equally by Mitsubishi and Volvo.

Mr Ninomiya disclosed in a speech at the Birmingham motor show that Mitsubishi would initially launch from the Dutch plant a five-door hatchback car, code-named MX, between its existing Mitsubishi Lancer and Galant ranges in size. It is expected to be followed later by a four-door saloon version, and possibly an estate car.

It will compete directly with rivals such as the Ford Mondeo and the Opel Vectra/Vauxhall Cavalier, as well as the European-built products of other Japanese carmakers such as the Nissan Primera and tba Toyota Carina, both assembled in the UK.

The new car will be unveiled at the Amsterdam motor show in January and will go on sale in continental European markets from mid-1995 and in the UK from November next year. Tha Volvo version of the new range, which is expected eventually to replace the current Dutch-built Volvo 400, will have a different exterior and interior styling and is expected to be unveiled in the autumn next year.

Mitsubishi is following the same strategy as its Japanese competitors by choosing the large family car sector of the European car markat for its first locally-built products in Europe. Mr Ninomiya said the local European content of the new Mitsubishi range would exceed 85 per cent.

Purchases from components suppliers in Europe for the Mitsubishi car alone are expected to total more than Fl 1bn a year by the time ontput reaches 100,000 cars a year, the company said yesterday. More than 150 snppliars hava already been selected in Europe, including some local European subsidiaries of Japanese components groups, such as Calsonic in the UK, which will supply radiators and cooling systems.

Mitsubishi plans to import all its petrol engines (in 1.6 and 1.8 litre) and automatic gearboxes from Japan, but it is understood that it will buy a 1.9 litre diesel engine and all its manual gearboxes from Renault, the French carmaker.

Mr Ninomiya said that Mitsubishi had drawn heavily on the latest Japanese production technology to modernise the Dutch plant, organised along the lines of its Mizushima plant in Japan.

Mitsubishi said it planned initially to achieve around 20 hours per car assembly time at the Born plant, but this would be reduced later to 17 hours per car when full capacity was reached. It would take around 7 minutes to change the tools on the heavy stamping presses. The plant will include 305 robots.

Around half of the Fl 3.4bn earmarked for the Nedcar project had been invested to date. Mr Ninomiya said Mitsubishi Motors, the third largest Japanese vehicla producer, was seeking a 5 per cent share of the global vehicle market by 2000.

To achieve this goal it was aiming to raise its share of the domestic Japanesa market from 12 to 15 per cent, to increase its share of the Asian and Asean market from 20 to 25 per cent and to gain a 2 per cent share of the combined European and US markets.

E Asia and EU may hold talks

By Guy de Jonquières, Business Editor

The European Union and east Asian countries may hold a summit late next year at which government leaders would aim to forge closer economic and trade ties between the two regions, according to European Commission officials.

The EU also plans to renew attempts to establish a dialogue with the Asia Pacific Economic Co-operation forum, the five-year-old grouping which embraces the US, Canada, Mexico, Australia and New Zealand as well as Japan and 11 other Asian countries.

The initiatives are intended to accelerate recent efforts to deepen relations between Europe and Asia, amid growing European fears of being excluded from developments in the world's fastest-growing economic region.

Until now, most of the running has been made by the Europeans. However, EU officials say the proposal for a summit is Asian-inspired, and has been backed particularly strongly by Singapore and Thailand. The proposal has yet to be placed formally on the EU agenda but may be raised during a visit to Paris this week by Mr Goh Chok Tong, Singapore's prime minister.

As president of the EU Council of Ministers in the first half of next year, France would be closely involved in preparing the ground for a summit. Germany, the current council president, has called for stronger EU links with Asia.

A senior European Commission official said yesterday that if the summit went ahead, participants would be likely to include government leaders from Japan, Taiwan and Korea, as well as from the six members of the Association of South East Asian Nations.

The official said the meeting was envisaged as a relatively informal event which would seek to encourage increased trade and investment between Europe and Asia and closer co-operation between governments of the two regions in the new World Trade Organisation.

Talks with Asian leaders would also bolster European efforts to establish closer contacts witb Apec, whicb is expected to agree a timetable for trade liberalisation by its members at a summit meeting in Bogor, Indonesia, next month.

WORLD TRADE NEWS DIGEST

Cambodia plant for Heineken

Heineken, the Dutch brewer, is planning to build the first brewery majority-owned by foreign shareholders in Cambodia. The brewery in Phonmh Penh will have an initial capacity of 170,000 hectolitres when completed in mid-1996 at a cost of $25m. Cambodia's beer market was equal to 160,000hl in 1993 – about 2 litres per capita – but is expected to grow to 270,000hl by the end of the decade. The capacity of the brewery could be gradually expanded to 500,000hl to meet demand. The country has only one brewery, Heineken said.

The Dutch beer group and its Singapore-based partners Fraser & Neave will own 80 per cent of the brewery, to be called Cambodia Brewery, through their existing joint venture Asia Pacific Breweries (APBL). The remainder will be owned by Progress Import and Export, the Cambodian importer of APBL's Tiger beer brand. The Cambodian brewery will produce Tiger beer as well as ABC Stout, another APBL brand. *Ronald van de Krol, Amsterdam*

Greek casino licences awarded

Greece's tourism ministry has awarded four casino licences to international operators for a total of Dr13.2bn ($55m) in fees and taxes. Hyatt Casinos, the gaming arm of the US-based Hyatt International hotel chain, in a joint venture with two Greek concerns, Theocharakis and the Laskarides shipping group, is to pay Dr7.8bn for a licence to build a casino at Thessaloniki in northern Greece.

The group plans a $120m investment on a greenfield site, including a luxury hotel and conference centre. Hyatt is also bidding against London Clubs, the UK casino operator, for another casino licence in the Athens area which will cost at least Dr10bn. Lady Luck of the US is to pay Dr3.05bn for licences to open casinos at Patras and Loutraki. The fourth licence, for Dr1bn, was awarded to Porto Carras Hotel owned by the Carras shipping family, in association with Magic, a US gaming concern which operates river-boat gambling on the Mississippi. The Greek government will take 30 per cent of the casinos' gross earnings, estimated at over Dr60bn yearly. The licences will be valid for 12 years. *Kerin Hope, Athens*

Boost for Tunisian telecoms

Tunisia is planning to spend an average of $200m a year on modernising its telecommunications system. Among projects under way or planned for the next faw years are investments in telephone lines and exchanges, optic fibre links, a GSM (Groupe Special Mobile) standard digital mobile phone system and a rural phone system. Tunisia is already linked to the world's longest Optical Submarine communications system connecting south-east Asia, the Arabian peninsula and western Europe. It also invested $8m in a submarine optic fibre cable linking it to eastern Europe, the Americas and South Africa. *Reuter, Tunis*

Contracts and ventures

■ The Italian transport ministry has signed a L1,200bn ($762m) contract to buy 30 high-speed Etr 500 trains from the Trevi consortium grouping ABB and Fiat. The purchases are within an option to buy 100 high-speed trains. *Reuter, Rome*

■ South Korea's Daewoo Motor will export about 20,000 passenger cars to Romania's Automobile Criova next year in preparation for the completion of a joint-venture factory in Romania. Daewoo Motor, the nation's third largest car maker, will export its Lemans, Cielo and Espero to the Romanian company Automobile Criova. *AP-DJ, Seoul*

■ The Saudi Public Transport Company has bought 200 new buses worth SR200m ($53m), from The German private company Neoplan sold 100 buses and Mercedes-Benz another 100, all for December delivery. *Reuter, Manama*

■ US-based Raychem and Taiwan's Pacific Electric Wire and Cable have signed contracts jointly to invest T$320m ($12m) in an electric wire and cable plant. The 50/50 venture will build its plant in the northern Hsinchu Science Park, and begin production in the second half of 1995. *Reuter, Taipei*

■ Singapore Airlines is discussing joint venture possibilities with at least two Chinese airlines,the Sichuan-based China Southern Airlines and China Eastern Airlines, both of which are relatively new regional carriers. *AFX, Singapore*

■ Hutchison Whampoa has formed a consortium with British Airways and the Civil Aviation Administration of China to bid for an aircraft line and base maintenance contract at Hong Kong's new Chek Lap Kok airport. The new consortium, China Aircraft Services, is one of three bidders for a maintenance licence. *Reuter, Hong Kong*

■ Malaysia's Projek Penyelenggaran Lebuhraya (Propel) has won a contract to build a $350m expressway linking the Indonesian capital Jakarta to Surabaya. *Reuter, Kuala Lumpur*

INTERNATIONAL ECONOMIC INDICATORS: **BALANCE OF PAYMENTS**

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	279.8	–174.2	–164.5	0.7623	100.0
1986	231.0	–140.6	–153.7	0.9836	80.2
1987	220.2	–131.9	–144.6	1.1541	70.3
1988	272.5	–100.2	–108.3	1.1833	66.0
1989	330.2	–99.3	–93.3	1.1017	69.4
1990	309.0	–79.3	–72.0	1.2745	65.1
1991	340.5	–53.5	–5.8	1.2391	64.5
1992	345.9	–65.2	–52.4	1.2957	62.9
1993	397.3	–96.7	–88.8	1.1706	65.6
3rd qtr.1993	99.6	–27.5	–24.3	1.1443	65.4
4th qtr.1993	106.9	–25.0	–26.9	1.1388	66.4
1st qtr.1994	108.6	–28.9	–28.7	1.1244	66.8
2nd qtr.1994	107.7	–32.7	–31.6	1.1605	65.3
September 1993	32.9	–9.0	n.a.	1.1728	64.7
October	34.5	–8.3	n.a.	1.1597	65.5
November	35.5	–8.8	n.a.	1.1282	66.6
December	36.6	–6.9	n.a.	1.1287	67.0
January 1994	35.2	–9.7	n.a.	1.1139	67.5
February	34.1	–10.8	n.a.	1.1164	66.7
March	37.5	–8.4	n.a.	1.1410	66.1
April	36.1	–10.6	n.a.	1.1395	66.0
May	35.4	–11.1	n.a.	1.1622	65.3
June	36.3	–11.0	n.a.	1.1808	64.8
July	33.8	–12.0	n.a.	1.2187	63.0
August			n.a.	1.2196	63.1

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	230.8	76.0	64.5	180.50	100.0
1986	211.1	96.2	87.0	165.11	124.4
1987	197.3	86.1	75.3	166.58	133.2
1988	218.9	80.7	66.7	151.51	147.3
1989	245.3	70.5	52.6	151.67	141.8
1990	220.0	50.1	28.3	183.94	126.0
1991	247.4	83.1	62.9	166.44	137.0
1992	254.9	101.7	90.0	164.05	142.9
1993	300.0	120.9	111.2	130.31	173.6
3rd qtr.1993	79.1	32.2	28.2	120.89	183.7
4th qtr.1993	75.6	30.3	26.6	123.20	180.2
1st qtr.1994	81.1	32.8	30.1	120.95	182.5
2nd qtr.1994	81.7	31.5	29.5	119.84	187.1
September 1993	25.9	10.7	9.5	123.63	181.8
October	24.6	9.8	8.9	124.08	180.4
November	25.2	9.6	8.8	121.66	181.6
December	25.7	10.6	6.2	123.92	178.5
January 1994	27.1	11.3	11.2	124.03	177.0
February	26.9	11.3	10.1	118.77	185.2
March	27.2	10.2	6.8	120.04	185.3
April	27.6	11.3	10.9	117.79	188.6
May	26.1	9.8	6.6	120.67	186.2
June	28.0	10.8	10.0	121.06	186.6
July	26.8	11.1	9.9	120.00	191.5
August	26.9	9.2	7.8	121.85	188.7

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	242.7	33.2	21.7	2.2260	100.0
1986	248.5	53.4	40.3	2.1279	108.8
1987	254.3	56.7	39.6	2.0710	115.3
1988	272.6	81.6	42.9	2.0739	114.6
1989	310.2	65.4	52.3	2.0681	113.5
1990	324.4	51.9	36.9	2.0537	119.1
1991	327.4	11.2	–15.7	2.0480	117.7
1992	330.6	16.8	–17.0	2.0187	121.2
1993	323.1	30.8	–17.2	1.9337	124.6
3rd qtr.1993	81.1	5.9	–9.0	1.9180	123.9
4th qtr.1993	82.7	6.7	–5.3	1.9161	124.8
1st qtr.1994	81.9	7.6	–5.9	1.9370	122.4
2nd qtr.1994	89.9	11.2	–2.7	1.9276	123.5
September 1993	27.4	1.9	–1.6	1.8996	128.1
October	27.6	3.3	–2.7	1.8935	128.2
November	27.6	3.1	–0.9	1.8182	124.5
December	27.3	3.3	–1.6	1.9306	123.7
January 1994	26.8	3.1	–1.6	1.9415	122.2
February	26.3	3.2	–2.3	1.9397	121.8
March	26.8	1.2	–1.8	1.9299	123.2
April	29.1	4.9	–0.6	1.9335	122.8
May	30.1	3.0	–2.3	1.9265	123.5
June	30.6	3.9	0.2	1.9228	124.3
July			–7.0	1.9117	125.7
August				1.9075	126.3

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	133.4	–3.7	–0.2	6.7942	100.0
1986	127.1	0.0	3.0	6.7946	102.8
1987	128.3	–4.6	–3.7	6.9265	103.0
1988	141.9	–3.9	–3.4	7.0354	100.8
1989	162.9	–6.3	–3.6	7.0169	99.8
1990	170.1	–7.2	–7.2	6.9202	104.8
1991	175.4	–4.2	–4.9	6.9643	102.7
1992	182.9	4.6	2.9	6.8420	106.0
1993	179.4	13.5	8.9	6.6281	108.3
3rd qtr.1993	45.1	3.8	3.4	6.6508	106.4
4th qtr.1993	46.0	4.4	3.0	6.6431	107.3
1st qtr.1994	46.3	2.6	3.4	6.5881	108.0
2nd qtr.1994	48.8	3.3	0.5	6.5967	108.0
September 1993	15.4	1.51	1.04	6.6485	107.0
October	15.0	1.29	0.66	6.6631	106.9
November	15.1	1.14	0.32	6.6637	106.6
December	15.9	2.01	1.84	6.6025	108.2
January 1994	15.2	0.29	2.36	6.5958	107.9
February	15.1	0.76	–0.29	6.5905	107.6
March	15.9	1.49	1.36	6.5782	108.3
April	15.8	1.18	0.42	6.6240	107.1
May	16.8	1.16	0.17	6.5972	107.9
June	16.2	0.81	–0.06	6.5688	108.8
July	15.8	0.87	1.17	6.5508	109.7
August				6.5347	110.2

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	103.7	–16.0	–5.4	1443.0	100.0
1986	99.4	–2.5	–1.4	1461.6	101.4
1987	100.7	–7.5	–2.1	1494.3	101.2
1988	108.3	–8.9	–6.0	1536.8	97.9
1989	127.8	–11.3	–17.0	1509.2	98.6
1990	133.6	–9.3	–18.0	1523.2	100.6
1991	137.0	–10.5	–17.7	1531.3	98.9
1992	137.9	–8.0	–20.6	1591.5	95.7
1993	144.3	17.9	9.8	1836.7	79.6
3rd qtr.1993	34.8	6.2	3.3	1613.0	79.9
4th qtr.1993	38.9	8.7	5.6	1679.8	77.0
1st qtr.1994	37.5	3.4	1.1	1692.9	76.2
2nd qtr.1994				1861.2	77.6
September 1993	12.7	1.2	0.7	1838.0	78.9
October	13.2	2.4	2.2	1854.9	78.2
November	12.8	1.8	1.7	1880.7	77.0
December	12.9	2.7	1.7	1903.8	76.1
January 1994	10.2	0.1	–1.0	1692.5	76.2
February	12.6	1.8	1.3	1883.9	76.4
March	14.5	1.7	0.9	1901.9	75.9
April	13.0	1.4	–1.0	1850.1	78.0
May	13.7	1.6	–0.3	1852.9	78.2
June				1880.5	77.1
July				1904.5	76.3
August				1928.3	75.4

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1985	132.4	–5.7	3.6	0.5890	100.0
1986	108.3	–14.2	–1.3	0.6708	91.6
1987	112.3	–16.4	–7.1	0.7047	90.1
1988	120.9	–32.3	–25.0	0.6643	95.5
1989	137.0	–36.7	–33.5	0.6728	92.6
1990	142.3	–26.3	–26.6	0.7150	91.3
1991	147.7	–14.7	–11.7	0.7002	91.7
1992	145.6	–17.8	–13.4	0.7359	88.4
1993	156.1	–17.0	–13.3	0.7780	80.2
3rd qtr.1993	40.2	–4.1	–2.5	0.7605	81.0
4th qtr.1993	40.6	–4.4	–2.8	0.7635	81.1
1st qtr.1994	42.3	–4.0	–1.7	0.7554	81.3
2nd qtr.1994	43.0	–3.1	–0.9	0.7716	80.0
September 1993	13.3	–1.9	n.a.	0.7685	80.8
October	13.8	–1.1	n.a.	0.7712	80.4
November	13.3	–1.6	n.a.	0.7620	81.0
December	13.6	–1.7	n.a.	0.7573	81.7
January 1994	14.3	–1.3	n.a.	0.7456	82.4
February	14.1	–1.1	n.a.	0.7557	81.0
March	13.9	–1.6	n.a.	0.7649	80.5
April	14.5	–0.8	n.a.	0.7673	80.0
May	14.1	–1.3	n.a.	0.7733	79.9
June	14.5	–0.9	n.a.	0.7741	80.1
July	14.4	–0.9	n.a.	0.7881	79.2
August			n.a.	0.7908	79.0

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

NEWS: THE AMERICAS

Campaign fails to dent disillusionment

Mr Clinton speaking yesterday at Andrews Air Force Base AP

By Nancy Dunne in Washington

Ten days of hard election campaigning since the US congressional recess began has failed to reverse the disillusioned and anti-incumbent mood among US voters, according to an Associated Press poll.

The poll, released yesterday, found only 35 per cent of the electorate in favour of re-electing their own congressional representatives. However, only 26 per cent thought much would change if the Republicans took control of the Congress.

There was good and bad news for both parties engaged in a campaign so far permeated by rancour and sleaze. Republicans were slightly more likely to vote for newcomers than Democrats, who risk losing control of the Senate and, conceivably, the House as well in the November 8 poll.

However, Democrats had a slight edge with 38 per cent of the voters against 37 per cent in favour of Republicans.

Democratic party strategists fear the apathy and anger in the electorate is more likely to keep Democrats at home and drive Republicans to the polls. President Bill Clinton and the national Democratic party recognise the threat and have sought to turn ths anger towards the "obstructionist" Republicans in Congress.

Recent missteps by Congressman Newt Gingrich, the Repnblican leader in the House, have given the Democrats the opportunity to campaign with a national theme. His "Contract With America", unveiled last month and signed by 300 Republican incumbents and challengers, promises a balanced budget, tax cuts and strengthening of defence – a prescription Mr Clinton is deriding as warmed-over Reaganism.

Mr Gingrich has also warned that Democrats will be portrayed as "the enemies of ordinary Americans".

This has given ammunition to Mr Clinton, whose approval rating on foreign policy has been rising in the wake of US action in Haiti and towards Iraq. However, he remains deeply unpopular in large sections of the country.

"They are going to give us the trickle-down economics of the 1980s. They are going to give us their 'politics of the enemies list' of the 1970s," Mr Clinton said at the weekend, referring to the late President Richard Nixon's obsession with his opponents.

Key to the Democrats' chances of stemming a Republican tide will be delivering the message of Mr Clinton's accomplishments to voters, still anxious about job security and profoundly ignorant of the nation's business.

Mr Richard Morin, polling director for the Washington Post, noted at the weekend that few Americans knew the names of congressional leaders and four out of 10 think Republicans control Congress.

Most could not name a single piece of legislation passed by Congress, and half could not think of a single Clinton accomplishment. Those that could named healthcare reform, which was never passed.

West provinces key to one-Canada campaign

Growing economic clout gives them voice in Quebec separatist debate, writes **Bernard Simon**

An unusual event in Canadian politics took place last month when Mr Ralph Klein, Alberta's unilingual premier, appeared as the guest speaker at a chamber of commerce function in Sherbrooke, Quebec.

Thousands of miles and a huge cultural divide separate the French-speaking province from the prairies and mountains of Alberta and the rest of western Canada. Many westerners resent French signs at federal government offices in Vancouver, Calgary and Winnipeg. For their part, few Québécois have been "out west".

Mr Klein's trip to Quebec, however, was a sign of the critical rola which the four western provinces are set to play in the intensifying debate over tha francophone province's future place in Canada, leading up to the independence referendum which the newly elected separatist government in Quebec plans to hold next year. The run-up to the referendum could also make or break the reputations of several of the west's most prominent politicians.

The western provinces – British Columbia, Alberta, Saskatchewan and Manitoba – have for years resented the influence wielded in national affairs by Ontario and Quebec, which are by far the most economically powerful provinces. Right or wrong, westerners are convinced that they usually get the short end of whatever stick is being proffered by the federal government in far away Ottawa.

Mr David Elton, president of the Canada West Foundation, a Calgary policy research group, observes that whenever a westerner hears about a new federal initiative, "you may not know what it is, but you know you want to be sitting down when you hear it".

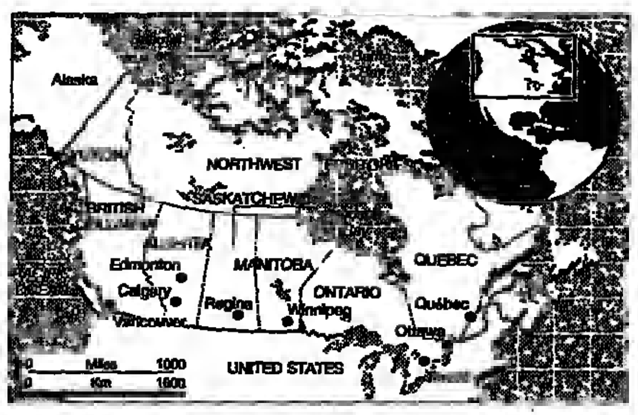
However, the west's clout has grown appreciably in recent years. Bank of Nova Scotia forecasts that British Columbia's economy, bolstered by a flood of immigrants and climbing pulp, paper and metal prices, will expand by 4.8 per cent this year, the strongest growth rate among Canada's ten 10 provinces. Alberta, which depends heavily on oil, natural gas and wheat, is expected to come in second with a 4.5 per cent growth rate.

Alberta and Saskatchewan have made more progress than most other provinces in bringing down yawning budget deficits, to the point where Alberta is on track to balance its budget in 1996.

On the political front, Conservative westerners gained a new voice in last year's general election when the Reform party, which is based in Calgary, won 52 seats in the House of Commons, all but one of them west of Ontario.

Reform reaffirmed its opposition to official bilingualism at a convention last weekend. It is also opposed to any special concessions for Quebec. "People want to hear tough talk from their politicians on the Quebec issue," says Prof David Bercuson, a political scientist at the University of Calgary.

Many westerners take a more conciliatory line. Mr Elton estimates that only about 25 per cent to 30 per cent take the view that if Québécois choose to leave Canada in the forthcoming referendum, nothing should be done to stop them. The west's distance from Ottawa and its increasingly close links with east Asia and with neighbouring US states belie a strong attachment to Canada. Periodic initiatives to bring western US states and Canadian provinces together in a "Rocky Mountain Corridor" have so far been confined to commercial links.



Mr Klein, who is by far the west's most popular politician at present, has given notice that he will be a voice of moderation in the national unity debate. "Canada may not have succeeded in everyone's eyes," he told his audience in Sherbrooke, "bnt we have not failed. Our federal system of government has allowed both Alberta and Quebec to manage our own economies, and to protect our diverse culture, language, heritage and history."

Mr Klein's closest ally in national politics is Mr Jean Charest, the 36-year old Québécois who took over the Progressiva Conservative party after its near-annihilation in last year's election. The Conservatives, who governed Canada from 1984 to 1993, lost all but two of their seats in parliament.

Mr Klein believes that only Mr Charest, who is expected to emerge in coming months as one of most effective federalist voices within Quebec, can revive Conservative fortunes.

The two men have recently indicated – without putting flesh on their ideas – that they favour a middle ground between Quebec breaking away and the status quo. Mr Elton agrees that "a creative, third option will emerge".

But the risk remains quite high that the west could hasten rather than hinder a break-up. Mr Mike Harcourt British Columbia's premier, was widely seen as playing into the separatists' hands earlier this year with remarks that while Québécois and westerners were the best of friends, they would become the worst of enemies if Québec decided to go its own way.

The new government in Quebec has an interest in provoking further such outbursts. After only a month in office, it has already raised hackles by turning a number of relatively minor irritants into evidence of the inability of French- and English-speaking Canada to live together.

It would take a handful of western politicians to rise to the PQ's bait or the Reform Party to regain its stride for Mr Klein's optimistic scenario to start unravelling. On the other hand, if the separatist threat is defused, Mr Klein and Mr Charest could emerge as the saviours of Canada.

AMERICAN NEWS DIGEST

Cuba arrests raiding party

Cuba said yesterday its security forces had captured a raiding party of seven armed Cubans from Miami who landed by launch on a causeway near Caibarién on the island's northern coast early on Saturday. The Interior Ministry said the seven, who wore camouflage uniforms, shot dead a local fishermen. Three of the raiders were wounded in a shootout with the security forces.

The ministry described the seven as mercenaries, and the incident in Villa Clara province as a "strange attempt of armed infiltration coming from the US". It occurred a week before Cuban and US delegations were due to meet in Havana to review a bilateral immigration accord signed on September 9. In January 1992 Cuba said it executed by firing squad one of three Miami Cuban exiles captured landing with arms and explosives on the north coast. The two other members of that raiding party had their death sentences commuted to 30-year jail terms. At least one other attempted landing by armed exiles has been reported in the last few years. *Pascal Fletcher, Havana*

Cardoso confirmed as winner

Mr Fernando Henrique Cardoso, Brazil's former finance minister, was yesterday confirmed as the country's future president following elections two weeks ago. With the final votes counted yesterday, Mr Cardoso polled 34.4m votes or 54.3 per cent of the valid votes cast. His nearest rival, left-winger Mr Luiz Inácio Lula da Silva, polled 27 per cent. The right-winger, Mr Eneas Carneiro, seen as a protest candidate, came third with 7.4 per cent, beating established politicians Mr Orestes Quércia and Mr Leonel Brizola, who polled 4.4 per cent and 3.2 per cent respectively. Most votes had been counted by early last week, but delays and fraud allegations in Rio de Janeiro slowed the final announcement of the results. Mr Cardoso, who is on holiday in Russia with his wife, is due to take office on January 1. *Angus Foster, São Paulo*

Outright win seen for Menem

Argentinians will re-elect President Carlos Menem next May without the need for a damaging second-round run-off, leaving the opposition vote divided among rival factions, according to an opinion poll published yesterday. The poll adds weight to an important victory earlier this month for the president's Peronist party in Buenos Aires province. Governor Eduardo Duhalde, the second force in Mr Menem's party, overwhelmingly won a plebiscite allowing him to seek re-election, strengthening the Peronists' claim that their policies still carry majority support. Yesterday's poll, published in the government-leaning La Nación, showed the Peronists capturing 43.5 per cent of the vote, with the two main opposition forces, the centre-left Frente Grande and the Radical party, mustering only 20.7 and 18.9 per cent respectively. *David Pilling, Buenos Aires*

US inventories surge

US business inventories rose 1 per cent in August, the fifth straight increase and the biggest advance since May, in what analysts said is fresh evidence of continuing economic expansion. The Commerce Department also reported yesterday that the rise was easily outpaced by business sales, which surged 3 per cent in August, the biggest jump in over seven years. The Commerce Department said inventories totalled a seasonally adjusted $903.6bn, up from $894.7bn in July, more than twice the rise expected by analysts. *AP, Washington*

Price of London-Paris rail return unexpectedly high, says airline

Eurostar announces £95 fare

By Charles Batchelor and Michael Skapinker

The railways of Britain, France and Belgium yesterday announced the start of their high-speed Eurostar service through the Channel tunnel with prices for a return ticket from London to Paris or Brussels starting at £95 ($150).

European Passenger Services, the British partner in the three-country project, said the prices did not seek to undercut airline fares because Eurostar aims to sell tickets on the basis of more convenient travel. Mr Richard Edgley, managing director, said: "We will run a city ceotre to city centre service with less hassle. We will also offer better and more interesting meals."

He said Eurostar would gain "a major share" of the market for journeys between the three capitals and a significant, though probably smaller, share of longer journeys between Manchester and Paris.

Fares for what Eurostar calls its Discovery service start at £95 return between London and Paris or Brussels if the traveller hooks 14 days in advance. They rise to £155 for a standard ticket without pre-booking, and £195 for first-class travel which includes a hot three-course meal. The service starts on November 14 with tickets on sale from October 24.

British Airways said the Eurostar fares were higher than expected, making its own cheap flights look competitive. BA said air travellers could buy return flights from London to Paris for £83 provided they travelled in mid week and stayed in the French capital over a Saturday night. In August the fare for this flight had fallen to £59.

However, Mr Cris Rees, commercial manager at Thomas Cook, the travel agents, said Eurostar could probably afford to charge a small premium because it offered a convenient route from the centre of London to the centres of Paris and Brussels, cutting out travel to and from airports. Mr Rees said travelling by rail for the weekend would also appeal to families.

American Express, the financial services and travel group, said it welcomed the added competition for London-Paris travel, the world's busiest air route. The company said it expected Eurostar to win over travellers who found it easier to travel to Waterloo station than to Heathrow airport. American Express said: "Commuters to Waterloo will just have to change platforms to travel to Paris." They would also be able to work more comfortably on the trains than on an aircraft, the company said.

In the first few months of Eurostar travel, departures will be limited to two a day each way to each of the other two centres, with a third train serving Lille at the junction of the three spurs in northern France. As more trains and carriages are delivered over the next few months Eurostar services will increase in frequency.

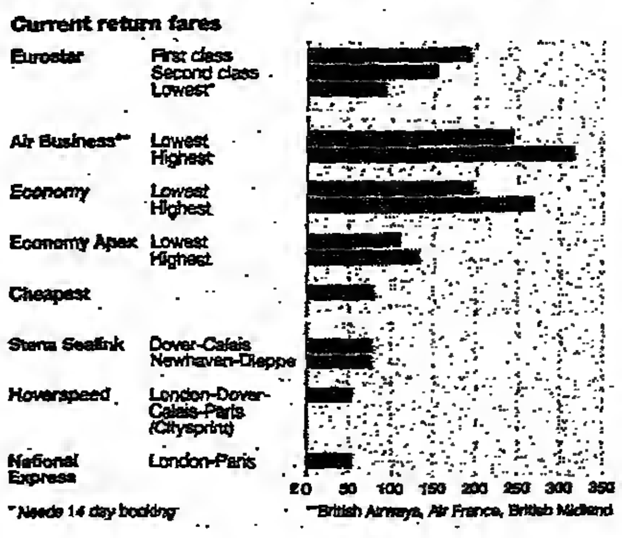
Because of continued work on the tunnel by Eurotunnel, operator of the cross-Channel link, there will be no Eurostar services on Saturdays and Sunday mornings. But the Friday afternoon and Sunday afternoon services will allow travellers to spend weekends away.

Tickets will go on sale through Eurostar's telesales office, at main railway stations and through travel agents.

Tha journey time between London and Paris is three hours and between London and Brussels 3¼ hours, but these times will fall when the Belgian and British high-speed links are complete.

Lex, Page 18
Light at the end? Page 19

London-Paris: how much does it cost?



*Needs 14 day booking **British Airways, Air France, British Midland

Policy on detention of asylum-seekers is attacked

By Edward Mortimer

The UK Home Office practice of detaining asylum seekers for long periods without giving reasons is severely criticised in two reports from humanitarian organisations published today.

In ooe report, based on a study tracking the fortunes of 50 detained asylum seekers over 14 months, Amnesty International's British section says current procedures violate international human rights laws and standards. The other report, from the Medical Foundation for the Care of Victims of Torture (a UK-based charity), finds that people who seek asylum after surviving torture in their own countries are being detained in Britain for periods ranging from two to 17 months.

Some 600 asylum seekers in the UK, out of 50,000 under consideration, are currently detained pending a decision on their claims. Amnesty believes that "in most cases detention is neither necessary nor for reasons recognised as legitimate under international standards".

On average, Amnesty says, the asylum seekers in its study, none of whom were charged with any criminal offence, were detained almost three times as long as remand prisoners charged with serious offences. Twenty-two of the 50 were eventually relaased, aither on bail or on "temporary admission", while their cases were still unresolved – five of them after being held for over six months. None of these later absconded or failed to comply with tha conditions of their release.

"These findings seriously undermine the government's claim that detention is used only where necessary and 'only as a last resort' when 'the applicant cannot be relied upon to comply voluntarily ...'" the report says.

It also condemns the lack of any requirement that detentions should be justified to a court or similar review body. It contrasts this with the criminal justice system.

Tha Medical Foundation report is hased on 47 cases of detained asylum-seekers visited by doctors from the foundation since January 1993. In 45 of these, the foundation was able to document avidence of torture, but detention continued none the less.

The report stresses that detention, besides adding significantly to the distress of torture survivors, "makes it more difficult to make decisions about a person's credibility", becausa of the anxiety and trauma it produces.

Police crackdown averts $10bn fraud on China bank

By Robert Peston

A $10bn bank fraud was prevented by an international police operation led hy the UK's metropolitan fraud squad.

Details of one of the biggest-ever attempted bank frauds emerged yesterday on the eve of the UK's first National Fraud Forum, which brings together police, City of London regulators and private-sector investigators to discuss how to improve the UK's record on fraud prevention and prosecutions.

The victim of the fraud attempt was the Agricultural Bank of China, one of China's big four banks.

It involved the issue by the bank of $10bn in letters of credit, or bank certificates guaranteeing trade payments between two companies. Letters of credit can be traded or used as collateral when raising bank loans.

On April 1 last year, the Hengshui Central branch of the Agricultural Bank issued 200 of these certificates, in the name of United Asia (Group) Corporation, a shell company based in North America, with payment due to Sherwood Investments of Bahamas.

According to an official with a close knowledge of the case, the certificates were genuine in that they were signed by two employees of the bank. However, they may have been obtained by deception and their export out of China was also probably illegal.

The official said that the perpetrators of the scheme were too greedy. "If there had been less money at stake, they might have got away with it", he said. Most of the certificates were taken on a circuitous route through a series of offshore centres to the City of London, where eventually they were presented to Barclays, the UK clearing bank.

Investigators believe that the aim of presenting them to Barclays was to obtain a receipt stating that the certificates had been lodged with the bank. This receipt would then have been used to obtain substantial loans from other banks.

However, Barclays had suspicions about the provenance of the certificates and therefore contacted Agricultural Bank's head office and the Bank of England.

Meanwhile, the Chinese authorities had by July of last year become aware of the export of the letters of credit. Messages were sent to all international banks via the SWIFT electronic funds transfer network, telling these banks that the certificates should not be treated as legal tender.

The police in London and New York were alerted. In the following six months, they succeeded in recovering 193 of the certificates in London. Six more were found in tha US and West Indies. The location of one was traced to a bank vault in Switzerland.

Mr Lei Ping Wu of the agricultural bank's London office said that, thanks to the actions of the police, his bank had suffered no losses.

The individual who presented the certificate to Barclays has disappeared. In China, several people have been imprisoned in connection with the case, including two bank employees. No charges have been laid against anyone outside China.

Fraud Survey, Page 27

BRITAIN IN BRIEF

Do-it-yourself stores group to shed 900 jobs

Texas Homecare, the UK's second-biggest chain of do-it-yourself stores, is to shed 900 jobs in its 240 stores as part of a management restructuring. The redundancies provide further evidence of the depressed state of the DIY market - one of the fastest-growing sectors of retailing in the 1980s - which Ladbroke said yesterday remained "highly competitive".

Sales growth is slow, with little sign of stimulus from a recovery in the housing market. With more than 1,000 DIY superstores in operation, many analysts believe there is too much capacity in the market. About half the job losses at Texas, owned by the Ladbroke group, will come from reducing the average number of managers and assistant managers in stores from seven to five, with some administrative functions being taken over by computer systems. Remaining assistant managers are being retrained and will spend more of their time on the shop floor to improve service.

Restructuring costs of about £2m will be charged to this year's profit and loss account, but Ladbroke said resulting cost savings would be "considerable". Ladbroke, which has no other retail interests, says it has no plans to sell Texas, but analysts believe it might be prepared to if its performance could be improved sufficiently to attract buyers. *Neil Buckley, London.*

Lottery war ahead on television

Commercial television companies are considering broadcasting an "unofficial" programme about the National Lottery to counter the official live draw of winners which will be shown on the publicly owned BBC 1 channel every Saturday evening from late next month. ITV, the national commercial network, is saying nothing about its plans other than to insist that its viewers will be kept fully informed about the lottery that will start creating millionaires from November 19.

The signs that ITV intends to be competitive on what could be one of the top-rated programmes on British television came yesterday as Camelot, the National Lottery operator and the BBC confirmed that they had signed a three-year contract. Lottery tickets will cost £1, and if Camelot's forecasts are met, the world's largest individual lottery should have revenues of £32bn over seven years. *Raymond Snoddy, London.*

Army role in Ireland to change

The British government yesterday gave fresh impetus to the peace process in Northern Ireland by indicating that the armed forces were preparing to adopt a lower profile io the province.

Amid clear indications that Downing Street will announce within the next week that it is ready to hold exploratory talks with Irish nationalists, Mr Malcolm Rifkind, defence secretary, told MPs he was planning new measures to reduce the impact of the armed forces' operations.

Mr Rifkind said it would be irresponsible to cut force levels in Northern Ireland prematurely. But he told the House of Commons that the government aimed to "make the posture of the military patrols appear less aggressive to the public. It can never be normal for soldiers to be deployed on the streets of the United Kingdom." *Ivor Owen and James Blitz, Westminster.*

Leader's grip on party grows

Mr Tom Sawyer, a leading trade union ally of Labour party leader Mr Tony Blair, was yesterday appointed general secretary of the party by its ruling national executive committee. His appointment ensures the loyalty of the party machinery, and helps prepare the ground for Mr Blair's plan to dump its traditional commitment to nationalisation later this year.

Mr Blair's grip on the party machine is expected to be further strengthened tomorrow by the election of additional supporters to the shadow cabinet. *Kevin Brown, Westminster.*

NEWS: UK

Industry minister says Conservatives were right to opt out of EU social chapter

Samsung project biggest since Nissan

By John Burton in Seoul

Samsung's decision to establish its main European production beachhead at Wynyard in north-east England comes after fierce competition among EU members to attract the biggest investment project yet by a Korean company in the region.

The world's fifth-biggest electronics group has been scouting sites in the EU for the past year as part of its strategy to establish regional manufacturing centres around the globe. It has already selected Tijuana, Mexico, as its main production complex for North America.

EU candidates included Portugal, Germany and France. The final choice came down to Spain, where Samsung has TV and VCR manufacturing operations in Barcelona, and the UK. It now produces colour TVs at Billingham, Cleveland.

According to UK investment officials, Samsung conducted negotiations on the final choice in the past two months. Much was at stake. Samsung plans to spend $700m on the project, almost seven times the annual investment by Korean companies in the EU.

The proposed complex will have an annual production of 1m computer monitors, 1.3m microwave ovens, 250,000 facsimile machines, 250,000 personal computers, and 3m monitor tubes as well as facilities to manufacture 8-inch semiconductor wafers and colour televisions. The facilities will generate $2bn in annual turnover.

British officials describe Samsung's project as the single biggest foreign manufacturing investment in the UK since Nissan's initial $450m investment at Sunderland in 1988.

It is a significant escalation of the trend towards overseas expansion by South Korean companies, which lag their Japanese competitors in establishing plants abroad. The aim is both to get round protectionist trade barriers and to be close to ths markets they serve. Samsung recently also announced plans to build a $500m plant outside Shanghai.

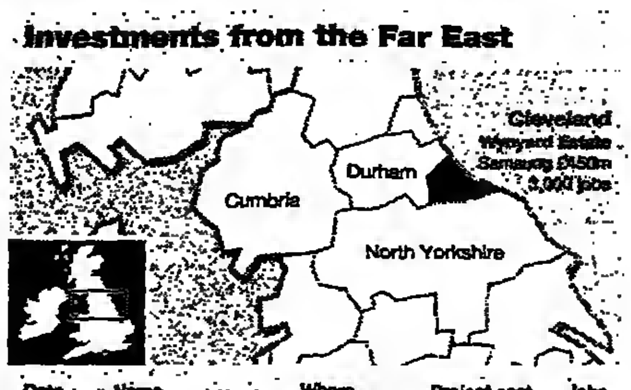
Mr Michael Heseltine, UK trade and industry secretary, believes the UK was selected over Spain for several reasons including labour productivity and infrastructure, the Koreans' familiarity with the English language, and the previous success of Korean operations in the UK.

Mr Heseltine, who is on a visit to Seoul, cited the Samsung decision as supportive of the UK's decision to opt out of the EU social chapter so that it can offer "competitive wage rates." But he added that Samsung found the UK an attractive place to invest because of its membership in the EU.

However, the government's offer of financial benefits also swayed Samsung. Direct and indirect assistance accounts for 20 per cent of the investment cost, the company said.

British officials believe the incentive package is worth the price because the Samsung complex will provide 3,000 jobs in a "regional unemployment blackspot" in north-east England.

Investments from the Far East



Date	Name	Where	Project cost	Jobs
1989	Toyota Motor	East Midlands	£700m	3,000
1989	Fujitsu (Semiconductor)	North-east	£4,000m	1,500
1992	Honda Motor	South-west	£300m	1,300
1989	Murata Manufacturing	South-west	£480m	953
1988	ASAT	Wales	£42m	1,000
1989	Yachiyo Industrial	West Midlands	£25m	1,000
1991	Nissan Motor	North-east	£150m	1,800

Source: DTI

Industrial revolution in north-east

By Chris Tighe

The Samsung project is a tremendous economic and psychological boost for a region of Britain undergoing its own industrial revolution.

North-east England prides itself on being the UK's biggest focus of inward investment by Far East manufacturers.

It already numbers among its dozens of big foreign investments two of the UK's biggest – Nissan's £926m European car plant at Sunderland, Tyne and Wear, and Fujitsu's only European semiconductor manufacturing operation, at Newton Aycliffe, County Durham.

Fujitsu announced yesterday that production of 16 megabit D-Ram microchips at Newton Aycliffe will start next April.

Electronics giants queue to invest

By Alan Cane

Samsung's decision to spend some £450m ($711m) to extend its Cleveland factories represents a further vote of confidence in the quality of British manufacturing from South Kores's largest industrial group, which is also the world's 18th-largest company.

Its activities range from semiconductors, electronic watches and computers to shipbuilding, heavy engineering, petrochemicals and medical equipment.

In the past month NEC, the Japanese electronics giant, Sharp, the Japanese consumer electronics company and Philips of Holland have all announced further investment in their UK manufacturing operations, chiefly in the areas of semiconductors, television picture tubes and white goods.

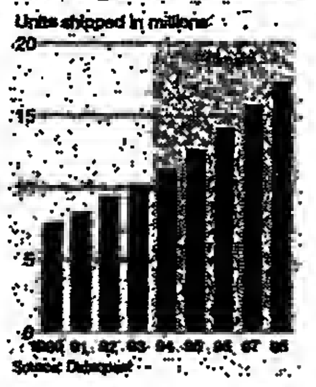
In addition, Mr Phillip Samper, president of the computer division of Sun Microsystems, the US workstation manufacturer, said the quality of portable computers produced by Sun's Scottish plant was on a par with any other manufacturing region.

Samsung is following this investment pattern. It already manufactures 700,000 colour television sets a year in north-east England for export to the rest of Europe.

More than half the personal computers sold throughout Europe are now manufactured in the UK. Soms 10.3m machines worth about $20bn were shipped to continental Europe in 1993; the number grew another by 10 per cent in 1994. The market is buoyant. A recent Economist stndy suggested demand is set to grow in double digits for the foreseeabls future: "Business in the 1990s cannot compete without the efficiency and technology provided by computers ... the massive price rednctions of the past two years have played a vital part in promoting continued growth in the sale of pcs," it argues.

Growing Euro PC market

Units shipped in millions



Source: Dataquest

Mr Chan Bea, managing director of Samsung Electronics in the UK, pointed out the proximity of Cleveland to Scotland's Silicon Vallsy where there are a host of computer companies which could become customers for Samsung's products.

The picture for microwave ovens is less clear cut. According to the UK Associstion of Manufacturers of Domestic Appliances some 1.5m ovens were shipped last year, roughly the same as the number of washing machines. While the number of first-time buyers is continually replenished, it is becoming a replacement market.

The UK is reckoned to be ahead of the rest of Europe, however. Total European production of microwave ovens in 1992 was 3.9m. Whereas almost 90 per cent of European households have a washing machine, however, only about 33 per cent have microwave ovens. Mr Bea said manufacturing within Europe would prevent regulatory problems with the European Commission.

Samsung's new investment corresponds with its stated corporate strategy which is to concentrate investment in promising sectors of international industry rathsr than weakening its thrust by overdiversification.

Incentives in cash attract companies

By Chris Tighe

Samsung's new Electronics Complex underlines yet again the fierce competition between rival areas of Europe for new investments, and the substantial incentives offered to help tip the balance.

In the summer, the rift between UK government ministries about the aid available from the Department of Trade and Industry for inward investment was exposed. It was revealed in a leaked letter in which Mr Michael Portillo, then a junior minister at the Treasury, wrote critically about the use of investment grants to deal with regional imbalances in employment.

Samsnng's choice of north-east England will have been influenced by its happy experience in the region, where it has a successful recently expanded £20m investment at Billingham, Cleveland, prodncing television sets and employing 300 people.

But nobody in the economic development field doubts the important of large cash incentives; at Wynyard, a Development Area, Samsung has been offered £58m ($91.6m) in Regional Selective Assistance on the basis of a £450m project. If, as hoped locally, the investment goes up to £600m, applications for further RSA could be made.

In addition, government-backed developer England Partnerships is contributing £9m and Cleveland County Council and Teesside Training and Enterprise Council are offering £5m each. Other council aid and European funds have produced an additional £1.85m.

As late as last Friday the Northern Development Company did not know if it had secured the project; chief executive Mr John Bridge believes the Samsung study team made its final decision only on Friday.

Branson rival hopes to take cola war to US

By Diane Summers, Marketing Correspondent.

Richard Branson, the Virgin company chairman who appears to delight in challenging the supremacy of established organisations such as British Airways and Coca-Cola, is himself coming under attack from a minnow competitor.

Mr Ric Huning, a businessman who has been operating a small group of companies called the Elfin Group from Wales, says he, and not Mr Branson, originated the idea of a Virgin Cola drink. He says he intends to launch the product in the USA and is also pressing ahead in Australia and South Africa.

Meanwhile Mr Branson's Virgin drink will initially be distributed in the UK mainly through Tesco supermarkets and his lawyers said they would act against Mr Huning if he launched a product called Virgin cola anywhere.

Mr Huning says he first presented the Cola concept to Virgin in 1992 but that in January last year the organisation rejected the idea. Virgin has confirmed that one of its executives wrote to Mr Huning in January last year saying: "Your idea for 'Virgin Cola' looks very interesting and I am sure it would be a great success."

"However, we are currently concentrating investment on ideas which fit in with our existing businesses," he continued. "Unfortunately your idea is a little too far removed from those businesses to be of interest to us. I wish you luck with your endeavours and thank you for considering Virgin."

Mr Huning says that after receiving the letter he started discussions about manufacturing and marketing Virgin Cola himself. But then, he continues: "Somebody in the [Virgin] organisation must have decided somewhere through 1993 that it was a damn good idea and they should really do it."

In July this year Virgin gained an interim injunction in the UK preventing Mr Huning from using the Virgin Cola name in the UK. Harbottle & Lewis, Virgin's lawyers in London, said that the letter from Mr Dixon was "written by mistake in the middle of an extremely aggressive set of correspondence" between the firm and Mr Huning.

This correspondence made clear to Mr Huning that "if he tried to go ahead and use this [the Virgin Cola name] we'd come after him," said Harbottle & Lewis.

Virgin said Mr Branson had said some years ago that he was thinking of going into the soft drinks business. Mr Huning had been told a long time ago that cola was about a formula rather than an idea. "We needed someone to bring us the formula."

Mr Huning, who has subsequently seen the collapse of his main trading company, remains undeterred.

Farmland to be freed

Legislation ending security of tenure for new agricultural tenants should immediately free nearly 1m acres of farmland for rent for periods of five years or more, the Royal Institution of Chartered Surveyors said yesterday, Alison Maitland writes.

The institution said this would represent almost 10 per cent of the rented sector in England and Wales, which is paralysed by landowners' unwillingness to risk losing control of their land.

Mr William Waldegrave, agriculture minister, said last week that a bill reviving freely negotiated contracts between farm landlords and tenants would be introduced early in the parliamentary session which opens next month.

Mr Martin Lowry, RICS spokesman on rural property, said the change would enable new blood to enter farming.

BUSINESS AND THE LAW

Cause for quiet celebration

One year after its launch, Robert Rice examines the progress of the UK's Financial Law Panel

As it approaches its first birthday, the UK's Financial Law Panel has good cause for cheer. The panel was set up by the Bank of England amid concern that uncertainties in the law affecting financial markets were undermining London's future as an international financial centre.

Today, the FLP enjoys the active support of some 150 (fee paying) law firms, banks and other financial institutions. And according to the FLP's chairman, Lord Donaldson, former Master of the Rolls: "In its first year, the panel has made far greater progress with its allotted task than could reasonably have been expected."

To date, nine projects have been completed. In addition to guidance papers on so-called "netting" (off-setting liablities between two parties), the FLP has produced papers on the legal position of "shadow" directors (people who, while not directors themselves, exercise control over the management of a company); the controversial issue of brokers' liability for premium in non-marine insurance at Lloyds; and a recommendation on the position banks should adopt on security over cash deposits.

Lord Alexander QC, chairman of National Westminster Bank and the Bank of England's legal risks review committee, which recommended setting up the FLP, said "I feel the prototype is flying." When, two years ago, the committee recommended the FLP the idea seemed a good one, he said. But there were several concerns. Would there be enough subscribers? Would there be enough for the panel to do in the long term? Would enough people want to solve problems outside court to make the panel worthwhile?

Those concerns have proved largely unfounded. "Overall, I'm rather encouraged," said Lord Alexander.

According to Lord Alexander, NetWest is satisfied it is getting value for money. He points to the reassurance the panel has provided for the markets in general, particularly in areas such as netting and shadow directorships, where although bankers and lawyers felt they were on solid legal ground there was still some uncertainty.

The panel has also been able to prevent disputes going to court by examining issues such as the Lloyd's brokers' liability. The panel sought to determine whether an industry practice existed by which brokers could be held liable for premiums. It found no such custom existed and the issue has now been resolved without recourse to the courts. "That seems to me like a very attractive way of dealing with issues," said Lord Alexander.

He believes the panel's greatest strength is that it is seen as impartial – a view echoed by Mr Colin Bamford, the FLP's chief executive. Although Mr Bamford concedes that "sometimes what we do makes people's lives more difficult", his main objective of ensuring the FLP is seen as independent appears to have been achieved.

"There is no point in the panel being the representative voice of City solicitors or another arm of the Bank of England," he said.

This question of independence is particularly important when dealing with the government. "My perception is that the government regards us as worth listening to because we are not a representative body of City interests. There is enough special pleading on behalf of interest groups already," he said.

City success: FLP's Colin Bamford and Lord Alexander

One consequence of this uncompromising stance is that several banks which have turned to the FLP have been frustrated at its dogged impartiality.

The debate on the limits of auditors' liability is an example of an issue in which the FLP has resisted any involvement. "It's an important debate. But there are no legal uncertainties involved. We would just be adding our voice to one side or another and that's not what we're here for," says Mr Bamford.

As it sets out on its second 12 months, the panel's agenda is already full. The two big projects on its hands are legal uncertainties in fund management – an issue brought to the FLP by UK commercial banks – and the powers of public bodies, such as local authorities and National Health Service Trusts, to deal in financial markets. The latter is a legacy of the 1990 Hammersmith and Fulham council "interest rate swaps" case in which the Law Lords ruled that swaps contracts between banks and local authorities were invalid because local authorities were not empowered to carry out such transactions.

The issue of public bodies trading in financial markets has been given added importance by two recent developments: a High Court ruling in May in the Allerdale case; and by the government's much-vaunted private finance initiative for public sector projects.

In the Allerdale case, the High Court ruled that Credit Suisse, a Swiss bank, could not recover a £5m loan to Allerdale Borough Council, Cumbria, which the local authority had guaranteed. The court said the council did not have the power to issue a guarantee. The judgment heightened concern in the City about lending to local authorities.

Since the Hammersmith and Fulham ruling local authorities have been lobbying the government for a change in the law on the public bodies' powers to engage in City trading. Local authorities have proposed two solutions: either abolish the *ultra vires* rule (which provides that a contract is void and unenforceable if it is beyond the powers of a public body); or introduce "safe harbour" provisions for banks entering into such transactions.

Neither solution is attractive to the government. The FLP was called in and has proposed to the Treasury that a tribunal be set up under the Audit Commission to which public bodies can take pre-clearance for proposed City deals. If the proposed tribunal says a deal is within a public body's powers it will issue a certificate as a safeguard for third parties. It is a novel solution, says Lord Alexander, which only an independent body such as the panel could have proposed.

Over the coming months the panel will also be continuing two long-term projects – seminars for judges on practical developments in the financial markets, and the development of the idea of the panel acting as *amicus curiae* – friend of the court – in litigation involving the operation of the financial markets.

The latter has already been discussed with senior judges and lawyers and is generally well received, said Mr Bamford.

Tetra Pak appeal

EUROPEAN COURT

Tetra Pak, the Swedish packaging group, recently lost its appeal to the Court of First Instance against a record Ecu75m (£58.8m) fine levied by the European Commission for breach of the Rome Treaty competition rules.

The case, which involved a six-year investigation by the Commission followed by a two-year administrative procedure, concerned the commercial policy adopted by Tetra Pak in the European Community since 1976 in respect of its packaging machines and cartons.

The Commission found Tetra Pak had a dominant position in the markets for machines and cartons intended for the aseptic packaging of liquid foods in the EC, and that it had abused that position both in those markets and in the neighbouring markets for non-aseptic machines and cartons.

Non-aseptic food packaging does not require the same degree of sterility as aseptic packaging and so calls for less sophisticated equipment.

Tetra Pak denied it was in a dominant position in the EC and that it had infringed the competition rules.

First, it disputed the Commission's definitions of the product market and geographical market. Second, it disputed that it was in a dominant position in the markets for aseptic products. Finally, it disputed whether the relevant EC competition rules applied to Tetra Pak's conduct in the neighbouring markets for non-aseptic products, in which it was not dominant.

In defining the product market, the Court held that it was necessary to take account of all the competitive conditions in the general market for the packaging of liquid food products when determining whether the Commission was correct in finding that there were distinct markets for aseptic and non-aseptic machines and cartons.

The Commission was right to determine this issue on the basis of whether other products were sufficiently interchangeable with the particular markets, and to apply this test to the packaging systems themselves and not to the finished products (for example, milk cartons).

Given this, the Court found, on the facts the Commission had established to the requisite legal standards, that the markets for aseptic and non-aseptic machines and cartons were distinct from the general market in systems for packaging liquid food products.

With regard to the geographical market, the Court held that this consisted of a territory in which all traders operated under the same conditions of competition as far as the relevant products were concerned.

The Commission's definition of the market as covering the whole EC market was thus correct, as demand was stable throughout the EC, customers could obtain supplies in other member states and the products themselves could be easily transported between member states.

With regard to dominance of the aseptic markets, the Court had little difficulty supporting the Commission's findings, as these showed the applicant had 90 per cent of the market in aseptic machines and cartons throughout the EC.

With regard to the Commission's finding that Tetra Pak had abused its dominant position in the neighbouring market of non-aseptic products, in which it was not dominant, the Court said a company in a dominant position had a special responsibility not to allow its conduct to impair genuine, undistorted competition on the common market.

The actual scope of this special responsibility depended on the specific circumstances of each case.

In the present case, both aseptic and non-aseptic products were used for packaging the same liquid food products, and a substantial proportion of Tetra Pak's customers operated in both areas.

Given these facts, the Court held that the Commission was entitled to find that the links between the aseptic and non-aseptic markets reinforced the applicant's economic power over those markets, without there being a need to establish the existence of a dominant position on the non-aseptic markets.

Tetra Pak also claimed that its conduct was not abusive. The Court found, among other things, that customer contracts which tied machine users to using Tetra Pak's cartons were not objectively justified and were intended to strengthen the company's dominant position by reinforcing its customers' economic dependence on it.

The Court also found that the company's prices at certain times were below variable costs and that this was evidence of predatory pricing, as no dominant company had any interest in applying such prices except to eliminate competitors.

A number of other procedural pleas raised by Tetra Pak, including submissions on the level of the record fine were dismissed.

Tetra Pak International SA v Commission, CFI 2CH, 6 October 1994.

BRICK COURT CHAMBERS
BRUSSELS

LEGAL BRIEFS

CEDR settles £3m dispute

The Centre for Dispute Resolution (CEDR), an industry-backed, non-profit-making body set up in 1990 to promote the use of alternative dispute resolution in the UK, has resolved a £3m dispute between Hawker Siddeley Power Engineering and the Ceylon Electricity Board.

The two-year-old dispute, over an electrical engineering contract for Colombo's underground distribution system, was resolved in five days.

CEDR was approached by the British High Commission after several unsuccessful attempts by the parties to settle the wrangle. Mediation was carried out in Sri Lanka by two mediators from London. The alternative for the parties was lengthy international arbitration, according to CEDR. One of the companies estimated its cost savings at £200,000.

New IBA president

Professor Ross Harper, former president of the Law Society of Scotland, has been elected president of the International Bar Association from 1994-1996.

B&M leads field

Baker & Mckenzie, the world's largest law firm, has emerged as the leading legal adviser on international infrastructure projects in 1993-94, according to the magazine Privatisation International. Firms are ranked by the number and value of the transactions they were involved in.

Accountants need to be 'proactive'

Accountants need to be more proactive in the services they provide to lawyers. This is the finding of a survey of law firms by accountants Baker Tilley and The Lawyer magazine.

Lawyers do not rate the financial advice they receive from accountants very highly, with only 43 per cent of respondents considering it to be good or excellent. A number of firms said accountancy documents were too technical and should be simpler and more precise.

Lawyers are also unhappy at the level of fees charged by accountants. More than 30 per cent of respondents thought these were high or very high.

According to Baker Tilley, this is "a surprisingly high statistic from a profession which operates a similar fee structure".

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Call to end VAT 'money-go-round'

The Federation of Small Businesses yesterday called for a system of VAT-free trading between companies dealing on credit terms.

The Federation says HM Customs and Excise collected £63bn in 1993, of which £25bn was subsequently repaid to companies in a "futile money-go-round".

Freeing such inter-company trading from VAT would relieve small companies of much of the paper work required to avoid the stringent VAT penalty regime, the Federation said in a submission to the Chancellor of the Exchequer ahead of the November Budget.

Abolition of inter-company VAT would be the "biggest clearance of red tape within a system recognised by all small business surveys to be the biggest cause of concern for this sector", the Federation said.

The idea is likely to be opposed by Customs and Excise, which has argued that VAT-free trading would increase the risk of abuse. The Federation claims Customs and Excise collects considerably more than it is due and pays it back later, creating a cash flow benefit to the Exchequer at the expense of UK commerce.

Guidance when late bills pile up

Legislation to allow businesses a statutory right to interest on bills that are paid late may still be a long way off in the UK. But the need to manage cash flow remains as acute as ever for businesses, particularly when they are growing rapidly.

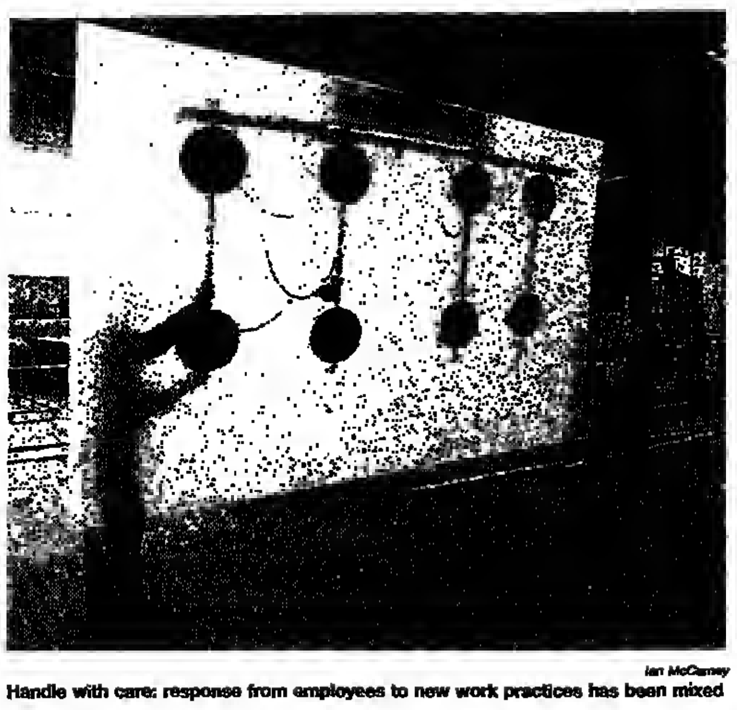
To help understand and calculate the cost of unpaid invoices and improve cash flow, Griffin Factors, the subsidiary of Midland Bank, has produced a guide, *Financing the Credit Gap*.

The free guide contains an interactive disc and a booklet which help to assess the business's financial position and make recommendations.

Available from Griffin Factors. Tel: 0800 525507

Richard Gourlay on why a Derbyshire-based company altered work and pay structures

Pains of glass



Ian McCarney

Handle with care: response from employees to new work practices has been mixed

Around Derbyshire's coalfields in the north of England there is widespread mistrust of anyone who says that improving productivity will make jobs more secure. The closure of pits shortly after British Coal exhorted employees to higher productivity left many understandably cynical.

Local feelings were therefore running high three years ago when new management at Plyglass, a glass processor in Somercotes, Derbyshire, attempted to rebuild the basis on which its 460-strong workforce was paid.

The company, which makes tempered and laminated glass, sealed double glazing units and PVCU windows for the construction industry, was typical of many long-established companies.

Industrial relations were characterised by management and labour simply co-existing with little sense of common purpose in an atmosphere of mistrust and hostility.

Plyglass's efforts to break with the "them and us" attitude and improve productivity will be familiar with many other companies trying to alter working practices. Its experience underlines the difficulty of changing deeply entrenched attitudes.

When Alan Twaite arrived at Plyglass as managing director three years ago, he says, it was clear that company interests were not uppermost in the minds of many in the workforce.

He says less than 10 per cent of the workforce at its four sites could be described as "caring" and willing to learn how to improve the business. A smaller minority were firmly rooted in the "stuff it" camp. But the vast majority of employees were sitting on the fence, undecided which side of the traditional divide they were on.

"There was this feeling that if everyone was standing to attention the management was in control," says Twaite.

"In fact, Plyglass was paying the highest wages in the area but it was bad value for money," he adds.

The business was also in financial difficulty. Like many larger companies, the parent of Plyglass, family-owned Greenbrook Industries, had gone on an acquisition spree in the 1980s that proved unsuccessful.

Plyglass was on the way to making pre-tax losses of £2.4m on sales of £17m in the year to June 1993 and was threatening the health of the whole group.

Twaite quickly sold or closed the Scottish, Welsh and Hampshire companies. But he believed the big obstacle to further progress was working practices.

"The productivity issue was important, to solve an attitude problem," says Twaite. But the company also needed the workforce on its side to reduce waste of materials. Sixty per cent of manufacturing costs is accounted for by materials compared with less than 10 per cent for labour costs.

"One does not address this issue with enforced disciplines," Twaite says. "You have to get the guys to treat the product with care."

With the one remaining site at Somercotes, the management started looking at the annual pay settlement.

Under long-established practice, the Glass and Glazing Federation and the General, Municipal and Boilermakers Union would negotiate a basic rate that accounted for about half average pay. The balance was negotiated in bonuses at the factory.

Twaite says this system led to all sorts of anomalies. The bonus was partly decided by time and motion studies of throughput on a particular machine. Any breakages or work that required more work led to higher bonuses.

Furthermore, the system was geared to maximising output, not to meeting demand from customers.

At the beginning of 1993 Twaite and production director Bob Taylor decided to raise the basic pay to about 80 per cent of the average pay under the old system. This would be enhanced under a new pooled bonus scheme.

'The main problem is that the workforce does not feel it can see the bad months coming, whereas in the old system they could tell what their pay would be'

The new scheme includes a productivity element; if departmental targets are exceeded, the bonus pool is credited. Employees also work to quality targets. This is based on a formula that looks at the amount of materials waste, whether orders are delivered on time and the level of customer returns. The bonus pool is then shared equally throughout the company.

Management's announcement of the plan, after months of trying to negotiate its introduction, was greeted with a vote for strike action. But the strike never happened – Taylor says because district union oficials realised the company's customers would take their orders elsewhere, effectivly closing the factory.

Eighteen months later, there has been progress but not unqualified success. Output has increased by 16 per cent, while the wage bill is unchanged year on year.

But there has been less consistent progress in reducing waste. "I cannot point to continuous improvement," says Taylor though he claims Plyglass is better placed to manage its reduction.

The response from the workforce has been mixed. Twaite says some old attitudes die slowly. Some employees are only just beginning to understand what the company is trying to do for its customers.

The management admits it also has much to learn, particularly about communication. Employees complain they get little notice of the size of their bonus payments or explanation why they vary.

"The main problem is that the workforce does not feel it can see the bad months coming whereas in the old system they could tell what their pay would be," says Taylor.

The company has returned to profit with £620,000 from sales reduced to £16m. But it believes it has only scratched the surface of possible improvements.

It is working with consultants on a programme of continuous improvement funded partly by the Derbyshire Training and Enterprise Council. And it is stepping up efforts to communicate better – a move Taylor says will pay off as more employees try to isolate problems that have affected the bonus pool.

Whether this is enough to give Plyglass a future as a successful, independent glass processor is uncertain, given the consolidation taking place within the industry, says Twaite.

But its efforts so far have at least given it the opportunity to fight for that future.

Learning to extend quality

New aids are available to take companies beyond BS accreditation

Companies pursuing accreditation under BS EN ISO 9000 – what used to be BS 5750. – need to peer through a fog of marketing hype these days to find those parts of the process that genuinely improve quality.

Different organisations are attempting this in different ways. The British Standards Institution, the UK's largest quality assurance assessor, is about to launch an ambitious teaching aid using CD-Rom technology.

The distance learning product, called Fastraq 9000, uses video, text and sound in an interactive package to describe the methodology behind the writing of a quality manual. Fastraq 9000 took two years to develop at a project cost of £500,000. It will take an executive 16 hours to work through properly, BSI says.

In complete contrast MRDL, a small Woking-based consultancy, is questioning the way many companies have implemented quality programmes and is introducing what it calls an alternative "Minimalist Managing System".

MRDL asserts that UK companies waste £45m a year writing and managing inflexible and over-complex quality systems simply to comply with BS EN ISO 9000. Simplification of the process not only costs less, but is more likely to produce a quality manual that will become a management tool, MRDL says.

But first, BSI's Fastraq 9000, which will be on sale from mid-November. BSI has targeted the product at managers interested in gaining certification and for company training purposes. According to Ram Mylvaganam, director of marketing at BSI, the most committed managers can also use it as a tool to help write a company's quality manual, thereby reducing the need for external consultants.

BSI is doing its bit to dispel the idea that the BS EN ISO 9000 standard is an end in itself. Accreditation, it says, "is just the end of the beginning".

But for a CD-based product of such length, the material is surprisingly difficult to dip into and needs to be systematically worked through from start to finish.

The 10 modules are not cheap – £2,500 in total, excluding VAT, plus up to £500 for an expansion board to handle the high quality video pictures. Unfortunately, BSI has declined to say how many Fastraq 9000's it hopes to sell – so much for outsiders being able to measure its performance against objectives.

Minimalist takes a different approach. It attempts to strip the narrative used to describe procedures in quality manuals. The English language, it says, is wordy and imprecise and even when clearly written can spawn confusion. Minimalist breaks down each crucial procedure in a business and puts the actions required in a matrix.

Down one side of the matrix are the actions needed to perform marketing or purchasing procedures, for example; across the top is a list of who is responsible, the follow-up action required, and what other procedures depend on the action elsewhere in the organisation.

One fan of the system is Black Horse Relocation Services, part of the Lloyds Bank group, which sought BS EN ISO 9000 accreditation to maintain a competitive edge. After scouring the market, Paul Bolton, general manager of network services, said he saw the limitation of many quality management systems. "You can end up with volumes of documentation that hold the building up but do not help to manage the business," Bolton says.

MRDL provided the training for Black Horse to write its own manual using Minimalist. By minimising documentation and using the simple tabular format, Black Horse's staff were able to write their own quality system. This involvement gave them "ownership" of a manual that has since become a working tool.

"We have noticed a lot of benefit in terms of departments that are more aware of what each other department is doing," says Bolton.

RG

LEGAL NOTICES

Company No. 1837532
Registered in England and Wales
Trent Med Limited
(Formerly Mala Limited)
Principal Place of Business:
Century House, Station Road, Halfway, Sheffield

NOTICE IS HEREBY GIVEN, pursuant to Section 48(1) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at 1 East Parade, Sheffield, S1 2ET on 26 October 1994 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at 1 East Parade, Sheffield S1 2ET, by no later than noon on 25 October 1994, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provision of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

D J Stokes
Joint Administrative Receiver
NOTE: A copy of the report is being sent to creditors herewith. No further written information will be presented at the meeting.

R K HARRISON UNDERWRITING AGENCIES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of Creditors of the above company will be held at 2nd Floor, Titchfield House, 69-85 Tabernacle Street, London, EC2A 4BA at 10.30am on 27 October 1994 for the purposes provided in the Said Act. I, Robert Stephen Palmer of Gallagher & Co, PO Box 698, 2nd Floor, Titchfield House, 69-85 Tabernacle Street, London, EC2A 4BA, the Liquidator of the company will furnish creditors free of charge with information concerning the company's affairs.
Dated 12 October 1994. R S PALMER, LIQUIDATOR

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TECHNOLOGY

On time and to order

James Buxton looks at Compaq's upgrade of its Scottish computer plant

Compaq Computer's plant at Erskine in Scotland is just a few miles from the village of Houston, a coincidence that symbolises its connection with the company's headquarters in Houston, Texas.

Until recently Compaq's Scottish manufacturing operations have largely focused on assembling technology developed in tha US. However, Erskine's role is being upgraded as part of the company's worldwide review of manufacturing efficiency, started four months ago in a bid to become the personal computer world market leader by 1996.

Already, Compaq is well on the way to achieving its goal. The company doubled its profits in the first half of this year. It has also continued to cut the prices of its PCs, which have stolen a lead from IBM and Apple Computer in terms of unit sales in the US and Europe for the first half of this year. Third-quarter results are due tomorrow.

George Devlin, managing director at Erskine, has led the project team examining the company's manufacturing and delivery operation, nicknamed "make and move".

However, he acknowledges that shortcomings have recently emerged across the company's plants in producing its Elite line of notebook computers.

"We couldn't get some new products to our customers in the quantities they wanted, at the time they wanted them," be says. This, be obsarves, was dua to "design issues" and "supply issues".

The rethinking of the company's processes from manufacturing to delivery bas now gone through what Devlin calls its diagnosis phase, ending last week with a presentation in Houston to Eckhard Pfeiffer, Compaq's president and chief executive. Compaq plants are now implementing the conclusions of the review.

Compaq has heen transformed since Pfeiffer was appointed in late 1991. Between November 1991 and November 1993 Compaq quadrupled its global output volume, producing cheaper PCs, without increasing the manufacturing space of its core factories at Houston, Singapore and Erskine.

Production changes have enabled the Erskine plant to manufacture mother boards and notebook computers

This year it has opened plants in Brazil and China.

The 540,000 sq ft Erskine plant outside Glasgow, which supplies 80 per cent of Compaq's European, Middle East and Africa market, had to make changes in manufacturing systems, some of which are now being adopted across the company.

"We used to think of ourselves as a high volume manufacturer," says Devlin. "In reality we've become one only recently." Erskine's output increased twn and half timas between 1991 and 1993, while unit production costs fell by 76 per cent. There has been a further 60 per cent rise in output volume over the past 12 months.

Greg Petsch, senior vice-president in Houston for corporate operations, set the Erskine plant the target of cutting costs to tbe level of the Singapore plant, which has tbe advantages of more component suppliers located nearhy and lower labour costs. If it succeeded it would earn the right, enjoyed by Singapore, to manufacture its own mother boards – a printed circuit board which includes the microprocessor and other tiny components, and are at the value added end of making PCs – and to produce notebook computers.

First, Erskine's PC assembly area abandoned progressive production lines and moved to a station build system – instead of a moving production line, one person assembles most of the central processing unit at one station. Ken McQuade, manufacturing manager, says this gives workers more satisfaction because they partially finish a product.

Erskine tben introduced a cell huild system alongside station huild and now uses it for 40 per cent of its ontput. Workers in cells of five operate as a team, carrying out all the jobs of PC assembly to boxed product ready for the customer.

This enables PC testing and software installation to be carried out in one place, cuts out travel round the plant and releases valuable space. There are manpower savings as all members of the cell can be continuously occupied.

Partly because of successful cost-reductions at Erskine, Compaq has installed five new production lines using surface mount technology (SMT) to produce the PC's mother board. The first line began operating in July. A month earlier Erskine began production of its notebook products.

By the end of the year Erskine will have invested £17m in SMT lines, producing 40 per cent of its boards in-house. It bas taken on 250 extra staff, taking total numbers to around 1,100, in addition to which there are up to 500 temporary staff.

To justify the capital cost of the new lines the Erskine plant bas begun working 24 bours a day seven days a week. Devlin says the new productinn processes at tbe plant "collapse part of the supply chain".

The remaining boards will continue to be imported from Compaq in Singapore with some supplied by PCB assemblers nearby in Scotland. By 1997 Erskine hopes to make all its mother boards in-house.

Devlin admits that the Scottisb plant has less control over its supply chain than Houston or Singapore, but saya 50-60 per cent of its components are delivered on a daily, just-in-time basis. Most sheet metal products come from Fullarton at Irvine, Ayrshire, and disc drives from Quantum in Ireland as well as Conner at Irvine.

But the flat-panel displays for the company's notebook still have tn be imported by sea from Japan, requiring a 24-week ordering lead time. "Scotland sbould get someone to invest in a $1hn plant making displays and monitors," be says.

As the plant moves towards PC production to order, a short supply chain is essential and would complement its improved manufacturing efficiency. "We want to mnve the company from being a 'push' organisation in which we determine what we huild and you the customer use it, to becoming a 'pull' organisation in which we build what the customers tell us they want," he says.

Factory cranes get smart

Factory cranes have long been taken for granted by industrial nsers, but the drive for increased productivity is prompting customers to seek more sophisticated solutions for their handling needs. Enter, the thinking crane.

The trend tnwards more efficient stock control, smaller warehouses and just-in-time prodnction, calls for faster, more productive and safer cranes, whicb, in turn, requires sophisticated controls of electric motors.

In March, Cheshire-based Street Crane, one of the market leaders for electric overbead travelling cranes, responded hy beginning Hoist 2000, a £500,000 project to develop the use of programmable logic controllers in hoists.

The aim is to develop programmable speed control for cranes, incorporating changes of speed to accelerate the movement nf components around a factory or distribution centre withont compromising on safety.

For the first time, Street has won support for its technology development from tbe Department nf Trade and Industry, wblch is funding the most innovative parts of the project with £300,000.

In its most developed form, tha Hoist 2000 will incorporate in-built condition monitoring to record cycles of operation and events such as overloading. This will allow users to nndertake planned maintenance, detect abuse of the crane and monitor safety of operation.

Tbe project is still under development, bnt Street is already selling cranes incorporating anotber PLC-based initiative called Smart Options. This embraces two developments, SC.Smartlift and SC.Smartdrive, whlch enable the crane's borizontal and vertical motions to be pre-programmed. SC.Smartlift monitors the speed 25 times per second.

Andrew Baxter

Robert Patton considers a new concept in CD-Rom drives

Driving at new speeds

Matsusbita's new CD-Rom drive, unveiled in Tokyo this month, could provide the company with a specialised niche in the multimedia market.

The latest drive enahles users to transfer data from CD-Rom to another disc, edit the data, and read it at roughly the same speed as from the CD-Rom. It is the nearest the industry has come to creating recordability in the CD-Rom format.

The drive will read conventional CD-Rom discs at quadruple speed and allows the user to write, erase and rewrite up to 650 megabytes of data onto optical discs. The drive uses a "phase-change" recording technique, which reversibly alters the structure of the disc.

Matsushita is not the first to produce such a dual-purpose drive. This February, Sony introduced the MD (MiniDisc) data drive, an offshoot of the MiniDisc audio format which also combines read-write and read-only technology in the same drive. But where the MiniDisc has yet to develop its market, CD-Rom has become an essential part of every computer system that aspires to the "multimedia" catch word.

When Sony's MiniDisc format was being developed, recordability was an essential part of the concept. According to Andrew House, a Sony spokesman: "We never thought that write once was a really effective alternative."

The field of audio, video and data recording is strewn with the bones of formats that died because they did not allow consumers to make their own recordings. Tha compact disc is the only recording medium since the LP record that has achieved hroad market success without offering recordability. That sbortcoming is the principal reason for the continued market success of the audio cassette.

With recording media for computer applications, the ability to rewrite data is even more vital. This makes the success of CD-Rom as a medium of distribution and storage for computer data remarkable. But CD-Rom arrived at a time when there were no better alternatives. The market needed a means of distributing large quantities of graphical data to users. Hard disc drives of comparahle size were expensive. Some drives could handle removable media, but the capacity of a CD-Rom disc was 5-10 times that of a removable hard disc.

A rewritable CD-Rom drive is technically impossible at the moment. The process of recording data on a CD involves burning microscopic pits into the surface and the process is not reversible.

But there are other optical disc recording methods which combine the capacity of the CD with the advantage of recordability.

Magneto-optical (MO) recording uses a laser beam to change the magnetic state of the recording surface using a techniqne called Kerr-rotation. The changes are read magnetically during playback.

Most optical disc drives for personal computer applications use magneto-optical technology. Governed by an international ISO standard, MO drives are now available with capacities of 230 MB per 3.5-inch disc and are expected to surpass 600 MB by 1996. Magneto-optical is also the technique Sony uses in MiniDisc and MD Data recorders.

A second optical recording technique, shown by Matsushita at the Japan electronics show, uses the laser beam's heat to change the phase of structure of the recording surface from an amorphous state to crystalline and back again. It is this ability to change structure and reverse that is the basis of the rewritable CD-Rom/optical drive.

It is likely that when CD-Rom/phase-change drives appear in the shops next year, they will be the only game in town for those who want to read pre-recorded software and multimedia data CDs in a drive tbat can both read and write tbe same amount of data at the same speed. The only alternatives availahle now involve two drives, a conventional CD-Rom combined with a 650+ MB hard disc drive or one of a few very expensive optical recorders currently produced for commercial and industrial applications.

But in a year or two, next generation magneto-optical drives are likely to reach the capacity of a CD. Matsushita hopes that by then its CD-Rom/phase change drive, which uses discs of 120mm diameter, will have carved out its own specialised niche in tbe market. In addition, CD-Rom drives might be used side-by-side with bigh-capacity magneto-optical drives.

One thing is certain: the market wants high-capacity, high-speed, rewritable media. One way or another, the market will get it. By November, Matsushita will be shipping samples of their CD-Rom/phase-change drive priced at Y100,000 (£633) and some time next year, volume sbipments will begin.

PEOPLE

BZW's new deputy chief executive

The beir appparent to David Band at the belm of BZW, Barclays' investment banking arm, emerged yesterday with the appointment of Donald Brydon, chairman and chief executive of BZW Asset Management, as BZW deputy chief executive.

Brydon, right, who has been responsible for growing funds under management at BZW Asset Management to £50bn and spreading its international activities, takes over from John Spencer, who will he leaving BZW at the end of the year.

Although Band ts expected to remain chief executive for at least two years, Brydon's appointment completes the reshuffle of senior management at BZW intended to prepare for a new generation of leadership in the second half of the decade.

Unlike Spencer, who combined the role of deputy chief executive with being head nf BZW's markets division, Brydon will give np his line management responsibilities to work alongside Band heading BZW's management committee.

He will be succeeded as BZWAM chief executive by Lindsay Tomlinson, the current deputy chief executive.

Brydon will be non-executive chairman of BZWAM, and will also join the group executive committee which runs the Barclays group.

Band, who has been chief executive of BZW since 1988 and has been at the belm during a period of rapid growth and diversificaction, may succeed Sir Peter Middleton as chairman of BZW when be gives up the chief executive

post.

Brydnn, who is 49, said that the firm's growth meant that "a more complex style of management" was required.

Brydon took over at BZAM in 1991. He has a mathematics degree and helped to introduce quantitative techniques there, but is modest about his skills. "I wouldn't describe myself as a mathematician. I am numerate maybe," he says.

Hook nets leading role

Ivory & Sime, tbe qnoted Edinburgh-based fund management gronp, is getting a new managing director.

Allan Munro, who bas held the job since 1991, is stepping down and being replaced by Colin Hook, 52, who joins from Caledonia Investments, the holding company controlled by the Cayzer family which took a 29.9 per cent stake in I&S in July.

David Newhigging, chairman, said Munro had told him earlier this year he wished to step down to concentrate on his speciality, managing fixed interest portfolios.

Munro was a member of the management committee which took over the running of I&S in 1990 after tha previous managing director David Ross and four senior fund managers abruptly left.

Hook was founding managing director and shareholder of J Rothschild Charterhouse Management and Global Asset Management (Asia), two Asian fund management businesses in Hong Knng.

His appointment is cantiously welcomed in Edinburgb investment management circles. "Probahly the first md I&S bave ever bad from outside the company. He conld be a new broom," one nbserver said yesterday.

O'Shea moves up at Halma group

Stephen O'Shea has been appointed to the new post of deputy chief executive at Halma Group, the fast-growing safety and environmental technology concern.

The promotion of O'Shea, 48, below, is designed to give more "central horsepower" according to David Barber, who remains chairman and chief executive. Over the past two years, the number of companies within Halma has grown from 30 to about 45.

The appointment suggests the beginnings of a successioo policy. Barber, 62, chairman since 1973, said no further

changes are planned in the sbort-term but added that O'Shea, in his new position, was clearly "the favourite candidate" to replace him.

Barber bas turned Halma into one of the UK's most successful spscialist engineering companies, with subsidiaries in environmental control, fire detection, gas detection, safety and security. In June, it announced a 20 per cent rise in annual pre-tax profits to £25.1m.

O'Shea was previously Halma's divisional chief executive responsible for botb the fire detection and gas detection divisions; he will have overall responsibility for tbese businesses and the security division.

He is replaced by Neil Quinn and Ralph Jessop at fire detection and gas detection respectively.

HSBC consolidates control over Midland Bank management

Michael Geogbegan, 41, who joined the predecessor of HSBC Holdings over 20 years ago and is senior vice-president of its US operations, is taking over from Michael Smith, 38, as bead of Midland Bank's international operations.

Smith, managing director of Midland's international business for the past couple of years, becomes deputy chief executive of Hongkong Bank Malaysia Berhard, with effect from November 28.

Midland Bank was taken over by HSBC Holdings just over two years ago. The Hongkong Bank has since moved its own people into top positions at Midland. Keith Whitson, with the Hongkong Bank since he left school, took over as Midland's chief executive at the end of March. His deputy, chief financial officer, head of human resources and Midland's head of credit and risk have all been drafted in from the Hongkong Bank.

A couple of months ago Christopher Sheridan, 51, quit as chief executiva of Midland's Samuel Montagu after ten years in tbe post. Sheridan, who joined Montagu in 1962, has been replaced by Keitb Harris, a former Morgan Grenfell and Drexel Burnham Lambert merchant banker who was managing director of the corporate finance arm of Apax Partners, tbe venture capital group.

Roger Downham, 50, director of Midland Bank Property Services, recently left to join Leslie Clark & Partners as managing director of Leslie Clark Project Services. His place has been taken by John Breen, head of group property at HSBC.

The Hongkong Bank has also extended control nver management of Midland's overseas subsidiaries. David Dew, 38, a senior manager with the British Bank of the Middle East, has become chief executive of Midland Bank, Italy. John Wheeler, 47, senior manager international corporate accounts at Hongkong Bank, takes over as chief executive of Midland Bank, Spain; his post goes to Alan Keir, 35, Midland's bead of consumer industries.

ARTS


'Le triomphe de David', 1628, by Poussin: he may have been cerebral, but he was also experimental, sensuous and full of wit

Master of simple authority

William Packer admires a magnificent review of Poussin's work in Paris

Nicolas Poussin is one of the great panjandrums of the history of painting. Almost the exact contemporary of Rembrandt in Holland and Velasquez in Spain, he was the greatest French painter of the 17th century, indeed the first great French painter of the modern, post-Renaissance era.

That he came out of France both figuratively and literally, spending all but a couple of years of his mature career in Rome, simply confirms his European reputation and influence. For he united within a single oeuvre the warmer, more sensuous and instinctive Italian tradition with the cooler, more cerebral tradition of the north. He also set the programme for the development of neo-classicism that ran on through David and Ingres and has continued in constructivist and analytical practice and tradition, from Cézanne and Mondrian to the minimalism of our own times.

Indeed the problem with Poussin, if problem it be, has largely been a function of his acknowledged importance and the general seriousness in which he is held. "Signor Poussin", said Bernini tapping his forehead, "is a painter who works up here." Such respect is all very well, but it is inclined to get in the way of the work itself.

The scholars of art have a field day with Poussin, loving him for the recondite complexities of his references, and absorbed by the problems of attribution and chronological development he sets them. As for the artists, to them Poussin is the supreme organiser and constructor of the image, the supreme analyser and integrator of form and space, the supreme controller of tone and colour.

There is to his work a simple authority, assured and inevitable, that quite takes the breath away. How calm it all is, how exactly right in every gesture and expression, how entirely free of fudge and hurry and histrionic. All is worked out, definitive in its presence, ideal in its essence, artless in its apparent simplicity and completeness, yet so full of art. No wonder that Cézanne was moved to say, two centuries on, that his only wish was "to do Poussin again, but from Nature", as though to suppose in all sincerity that Poussin had taken nothing from the real world, had made it all up.

The thrill of the magnificent and comprehensive review of Poussin, now on in Paris, is that while it gives us these two views of this great master's work exactly – the scholar's and the artist's to both their hearts' content – it goes far beyond each limited response to give us the whole artist. Here he is, cerebral and technical to be sure, but also free and experimental, sensuous and intuitive, and full of wit.

The drawings are an especial interest and pleasure and, quite rightly, are given due prominence – though I would question the wisdom of showing such naturally dense and absorbing material *en bloc*, most of all the early drawings that fill the first room, for they inevitably create a traffic jam of visitors at the very outset of the show. That said, they are not to be missed, for they are not only extremely rare, delicate and beautiful things but they offer a peculiar insight into Poussin's working methods.

Here, lightly and freely stated, we see the first intuitive registering of his pictorial ideas, with each then radically simplified, almost to modern eyes to the point of abstraction – shades of Cézanne, Picasso, Bomberg – by the application of a stark chiaroscuro wash for the shadows. Thus are the essential structure and dynamic of each composition established, here a battle, here a bacchanale, reduced to a set of vigorous directional strokes.

The paintings take us through the full range of the work, from the earliest mythologies and history paintings before the migration to Rome, to the mysterious and elegiac landscapes with cities and figures of the later years. Poussin had stopped at Venice for a period on his way to Rome, and the influence of the idealised arcadian vision of such as Bellini, Giorgione and the young Titian is clear enough. So much is known and recognised, but always rather in the letter than the spirit. Here it is the evident sensuousness of Poussin himself, Venetian perhaps in origin but transformed by his own clear purposes and intellect, that comes as the glorious surprise.

So much for the stoical Poussin, looking rather to the classical than to the Christian model for his austere moralities – yet how lightly his nymphs and goddesses flirt and turn, or stretch and dream beneath the trees. And how beautifully seen they are, and so lovingly drawn and painted. The two great sequences of the sacraments are shown complete, and in the earlier "Extreme Unction", from Belvoir Castle, the dying man lies surrounded and urgently attended on the bed. Alone to the right, the pretty serving-maid slips out to fetch more wine, turning to smile at us as she goes. Life goes on.

Nicolas Poussin – 1594-1665: Galeries nationales du Grand Palais, Paris 8me, until January 2, then on to the Royal Academy, London. Sponsored by LVMH/Moet Hennessy; Louis Vuitton

Opera in concert/David Murray

An enlightened 'Euryanthe'

We are in debt to the Orchestra of the Age of Enlightenment, the South Bank's "associate orchestra", for many enlightening performances. On Sunday, however, Carl Maria von Weber's opera *Euryanthe* came up like a revelation: who would have believed that it could be so stirring? Happily, the Queen Elizabeth Hall was packed out with the OAE's devoted audience – but it is a thousand pities that *Euryanthe* is not running for two or three evenings more. The "Deutsche Romantik" series will be lucky to strike gold again with such *éclat*.

Euryanthe came two years after Weber's *Der Freischütz*, and less than three before his *Oberon* for London and his untimely death here (he was not yet 40). Unlike the popular folk-tale *Freischütz* it has an old-fashioned chivalric plot, generally agreed to exceed the limits of preposterousness. (The story is so batty that even the programme was muddled about just whose suicidal sister's ghost needed laying.) That said, Weber set about animating every moment with direct, passionate feeling and a wealth of original resource.

That was what we heard on Sunday: not just a performance that was often thrilling, but a proclamation that *Euryanthe* really is a magnificent operatic score. Everyone who collaborated in it was on peak form. A special mention is due to the bass-baritone Nicholas Folwell, who had learned the role of the villainous Lysiart at very short notice, and delivered it with grim confidence and a torrent of lustily rolled "r"s.

The hapless heroine herself was Christine Brewer, who explored the surprising range and depth of her part with exquisite sensitivity. Nicely matched against her, Elizabeth Connell lent her familiar, formidable powers to the wicked Eglantine. Jon Garrison was a stylish hero, Adolar; in the lesser role of the King, young Nathan Berg's beautiful baritone reminded us that he is a star in the making; and in faceless small parts Elizabeth Woollett and Timothy Robinson made positive marks.

The hero of the evening was nevertheless Mark Elder, conducting the OAE with tireless energy and imagination. Not only the main numbers, but all the fluid "recitatives" – misleadingly so called, for scarcely any of them are mere declamation over chords: Weber – and Elder – shaped them lovingly, instilling them with moment-to-moment drama and dressing them often in unheard-of orchestral colours.

In all that, the OAE's "original"-style instruments came superbly into their own. Wonderful *vox humana* bassoons, dewy flutes, a clattery hubbub of horns, trombones with a hoarse, rousing *blat* that never domineer over the *tutti* sound. Perhaps half the problem with *Euryanthe* in this century has been that Weber understood his own instruments so perfectly, and deployed them so brilliantly, that modern playing-machines can never do him more than dusty justice.

Sponsored by the John S. Cohen Foundation

Music Theatre/Paul Driver

The Poisoned Chalice

The one virtue of *The Poisoned Chalice*, an opera scripted and composed by Tony Britten, being premiered by Music Theatre London at the Drill Hall, is brevity. Its two acts are not much more than half an hour apiece. The interval is on you just as you feel the need to run out screaming into Chenies Street; and those who steel themselves to go back in will be pleased to find that this is unusual among bad operas in lacking the defect of long-windedness.

Indeed, its concision is like a slap in the face. The four characters in brilliant white process at the start on to Simon Higlett's tilted silver disc, deliver some solemn choral thoughts, and embark on what will be very many individual circlings of the platform, singing as they walk, taking care to avoid the little tree, and all involved in a drama that has evidently been going on for some time before we arrived. Gradually we settle into the idea that this is a story and not just a bawling contest, and recognise old friends in Arthur, Guinevere, Lancelot, and Morgan Le Fay.

For it is the "Matter of Britain" that Tony Britten says has always, since childhood, drawn him on and driven him to pen the doggerel libretto and doggerel-like score of this *Chalice*. His feeling for prosody is remarkable – extra syllables just crammed in where necessary and the music stretched to fit. What he says is even worse than how he says it: utterances of pure unmisgiving bathos which contaminate you with the deadly, confident clasp of bad art.

Britten – an artistic director of Music Theatre London, along with the evening's stage-director Nicholas Broadhurst – has composed much for television and films, but the *Chalice's* music has scarcely the inventiveness of a soap-powder jingle. It was performed by a quartet consisting of conductor/keyboardist Jonathan Rutherford with flute, cello and percussion players at least two of whom were not the musicians named in the programme. Perhaps they had bolted in horror at an insipid tonal idiom – tonal, that is, with a few obligatory raucous gesturings – which seemed to my unlucky companion like the Hecklers' answer to the Birtwistle opera *Gawain* they so deplored.

It must have been a hard job finding the singers, too. Swedish soprano Sara Jungberg's Morgan at least had some sort of voice. Mary Lincoln's Guinevere tried hard to make us believe she had one. Both parts, alas, required considerable vocal prowess. Billy Hartman's Lancelot was too stiff, Andrew C. Wadsworth's Arthur not stiff enough. He just slouched there in his burlap with the cool self-possession of someone about to order a drink. At the opera's end each character is resolved into an allegorical single word – "Stability" (Arthur), "Honour" (Lancelot), "Power" (Morgan), "Love" (Guinevere) – which they keep repeating. "Love" has the last word. But I should add "Vanity". This is a show that should never have reached the boards.

Theatre/Malcolm Rutherford

Aurélie, My Sister

Incest may be rife in Quebec: even if it isn't, it is taken remarkably calmly when it occurs and can be beneficial to family relationships, or so we learn from the new production at The Gate.

Aurélie, My Sister, by the prolific French Canadian, Marie Laberge, is beautifully acted, meticulously directed and has one of the most lovingly detailed sets ever seen in this theatre. It is also very well written. But it is not much of a drama.

The plot is complex and tends to unfold backwards. There are only two characters: the 45-year-old Aurélie and the near 25-year-old Cat, who could be her daughter. Their relationship is close and friendly. Cat is having an intensely physical affair with a married man whom she hopes will leave his wife. She tells Aurélie all about it. In what seems a fairly banal development the man decides to spend more time with his family.

Yet this is only a teasing, though longish, start: almost a decoy, just as Hitchcock and Truffaut have been mentioned in the early dialogue. Cat is *not* Aurélie's daughter: she is her young sister. She was conceived by their father in a fit of incest with Aurélie's other sister, Charlotte. The latter has packed her bags and gone off to sculpt in Italy, leaving Cat in Aurélie's care.

Most of this comes out about half way through when Cat and Aurélie return from the father's funeral in small town Quebec.

If the play has a coherent theme, it is that life in French Canada can be petty and bigoted, but that human relationships can survive in unexpected forms. Aurélie, who is divorced, says that she was brought up with a terror of God and sex. She declares herself a pagan like her father, but adds that "in this neck of the woods, you don't have to be a Catholic to have all the symptoms".

Nevertheless, Quebec seems reasonably affluent. Aurélie and Cat are seldom less than well dressed and the friendship between them is civilised – closer perhaps than between a real mother and daughter. One can just about read into the text a political allegory: either French and English-speaking Canada should stick together despite their differences, or that Quebec should get on with the separation.


Great performances: Carol Starks and Sheila Reid — Alastair Muir

The flaw is the absence of action. *Aurélie, My Sister* is a peculiarly passive play. It might be better as a novel: certainly it has possibilities as a movie where the camera could range to scenes which are here only referred to in the dialogue.

Given the text as it is, however, nothing can detract from the performances of Sheila Reid as Aurélie and Carol Starks as Cat. Both have a quiet dignity, even beauty: neither has much of a chip, despite the circumstances. The set, full of old books, rag dolls and all the paraphernalia of half a life-time, is Aurélie's conservatory, plants and vegetables to the fore. She seems content to be there, and so does Cat.

Laurence Boswell directs. I do not wholly like the technique of pulling a semi-transparent curtain round the stage between scenes, especially when nothing much is changed, but it does have the effect of suggesting a kind of therapy. There are characters who need to be treated carefully, wrapped and unwrapped: otherwise they might go mad.

Gate Theatre until November 4. (071) 229 0706

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw Tonight: Serge Baudo conducts Netherlands Philharmonic Orchestra in works by Tchaikovsky, Prokofiev, Messiaen and Debussy, with violin soloist Leonidas Kavakos. Tomorrow, Thurs: Riccardo Chailly conducts Royal Concertgebouw Orchestra in Stravinsky and Brahms (preceded tomorrow by a free lunchtime concert). Tomorrow (Kleine Zaal): Frankl, Pauk, Kirshbaum trio. Fri: Chailly conducts Schoenberg, Zemlinsky, Ketting, Stravinsky and Ravel. Sat, Sun afternoon, next Tues: Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in Beethoven, Grieg and Tchaikovsky. Sat (Kleine Zaal): Thomas Zehetmair violin recital. Sun: Maria Joao Pires piano recital (24-hour information service 020-675 4411 ticket reservations 020-671 8345)
Muziektheater Tonight, Thurs, Sun afternoon, next Wed and Sun: Graeme Jenkins conducts final performances of Jürgen Flimm's production of Le nozze di Figaro, with cast headed by Joan Rodgers and Dean Peterson (020-625 5455)

■ BASLE

Stadtcasino Tomorrow, Thurs: Theodor Guschlbauer conducts Basle Symphony Orchestra in Elgar's Violin Concerto (Dmitri Sitkovetsky) and Beethoven's Sixth Symphony (061-272 1176)

■ BRUSSELS

Monnaie Tonight, Sat: Antonio Pappano conducts Achim Freyer's new production of Tristan und Isolde, with Ronald Hamilton and Anne Evans (02-218 1211)
Théâtre National Tonight, tomorrow: Tony Kushner's play Angels in America - first part: Millenium Approaches (02-217 0303)

■ CHICAGO

MUSIC
Chicago Symphony in tonight's concert, James DePreist conducts works by Stravinsky and Mozart, with piano soloist Misha Dichter. Thurs, Fri, Sat and next Tues: Michiyoshi Inoue conducts Mozart arias and Mahler's Fourth Symphony, with soprano Sylvia McNair (312-435 6666)
Lyric Opera Mirella Freni and Placido Domingo star in Giordano's Fedora tonight and Fri (continues till Nov 10). The Rake's Progress can be seen tomorrow and Sat (till Oct 28), with a cast headed by Jerry Hadley, Ruth Ann Swensen, Samuel Ramey and Felicity Palmer (312-332 2244)
THEATRE
● Angels in America: the national touring production of Tony Kushner's two-part epic is directed by Michael Mayer, with Jonathan Hadary as Roy Kohn (Royal George 312-988 9000)
● The Sisters Rosensweig: Wendy Wasserstein's hit Broadway comedy about the mid-life reunion of three Jewish sisters from Brooklyn (Shubert 312-902 1500)
● The Winter's Tale: Shakespeare Repertory has the Chicago market cornered on productions of the Bard's works. Artistic director Barbara Gaines has a go at his late romance. Opens on Fri for six weeks (Shakespeare Repertory 312-642 2273)
● A Clockwork Orange: the American premiere of the stage version of Anthony Burgess' classic novel seen at the RSC several years ago. Terry Kinney directs a cast that includes Chicago favourite K. Todd Freeman. Till Oct 30 (Steppenwolf 312-335 1650)
● The Who's Tommy: the touring version of the Broadway hit musical about the pinball wizard who becomes a media sensation. Till Oct 30 (Auditorium 312-902 1500)

■ GHENT

de Vlaamse Opera Tonight, Thurs, Sat, next Tues and Sun: Silvio Varviso conducts Guy Joosten's production of Don Giovanni, with cast headed by Jeffrey Black, Hillevi Martinpelto and Patricia Racette (09-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Tonight: Samuel Friedman conducts Moscow State Radio Orchestra in works by Tchaikovsky and Borodin. Thurs: Netherlands Chamber Chorus in works by Rakhmaninov and Ligeti. Next Mon: Philippe Entremont conducts Netherlands Chamber Orchestra in Webern, Mozart, Berg and Haydn, with violin soloist Olivier Charlier (070-360 9810)

■ ROTTERDAM

De Doelen Thurs: José Carreras. Fri: Roberto Paternostro conducts Württemberg Philharmonic in works by Weber, Grieg and Beethoven, with soprano Kari Lövaas. Sat, Sun afternoon: Eri Klas conducts Rotterdam Philharmonic Orchestra in Bizet and Schedrin (010-217 1717)

■ VIENNA

● The Danish Radio Symphony Orchestra gives concerts tomorrow and Thurs at the Musikverein, with repertoire including Nielsen and Sibelius. Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra in Mahler and Musorgsky/Ravel on Sat, and Neeme Järvi conducts the Gothenburg Symphony Orchestra on Sun morning and Mon evening in works by Sibelius, Pärt, Stenhammar, Tubin and Alfven (505 8190)
● Cecilia Bartoli gives a song recital on Sun at the Konzerthaus (712 1211)
● Vienna's annual contemporary music festival, Wien Modern, opens on Sun and runs till Nov 28. This year's programme focuses on Morton Feldmann, George Crumb, Helmut Lachenmann, Karl Schiske and Günter Kahowez (7124 6860)
● The Staatsoper is closed for technical alterations till Dec 14. Repertory at the Volksoper includes a new production of Nicolai's comic opera Die lustigen Weiber von Windsor (51444 2959/51444 2969/513 1513)
● Riccardo Muti conducts seven performances of Roberto de Simone's production of Cosi fan tutte at Theater an der Wien, starting Oct 30 (58885)

■ WASHINGTON

MUSIC/DANCE
● Pennsylvania Ballet is in residence this week at Kennedy Center Opera House. It gives the premiere tonight of a new work by David Parsons, and repertory also includes works by Balanchine and Paul Taylor (202-467 4600)
● David Zinman conducts the Baltimore Symphony Orchestra tomorrow and Wed at Baltimore's Joseph Meyerhoff Symphony Hall. The programme includes Barber's Violin Concerto (Anne Akiko Meyers) and Brahms' First Symphony (410-783 8000)
● Michael Stern conducts the National Symphony Orchestra on Thurs, Fri and Sat at Kennedy Center Concert Hall. The programme includes Ravel's Piano Concerto in G (Alicia de Larrocha) and Dvorak's Sixth Symphony. Seiji Ozawa conducts the Boston Symphony Orchestra in works by Takemitsu, Brahms and Mozart on Sat late afternoon, with piano soloist Ursula Oppens. Pinchas Zukerman directs the English Chamber Orchestra on Mon in Bach, Haydn, Mozart and Dvorak (202-467 4600)
THEATRE
● Defending the Caveman: a one-man show written by and starring American comedian Rob Becker, using humour to help define the differences between the two genders. Till Sun at Warner Theater (202-432-SEAT)
● Old Times: Washington Stage Guild presents Harold Pinter's three-hander about power within relationships. Opens tomorrow (202-529 2084)
● The Foreigner: Joe Sears and Jaston Williams star in Larry Shue's comedy, directed by David McKenna. Till Sun at Ford's Theater (202-347 4833)
● Henry IV: this adaptation of Parts I and II of Shakespeare's history plays is directed by Michael Kahn. A Shakespeare Theater production at the Lansburgh. Till Oct 30 (202-393 2700)
● A Perfect Ganesh: Terrence McNally's play about two New England matrons on a personal quest journeying through India. Till Oct 30 at the Kreeger (202-488 3300)
● The Cherry Orchard: Chekhov's play is directed by Irene Lewis at Center Stage. Till Oct 30 (410-332 0033)

■ ZURICH

Opernhaus Tonight, Thurs, Sat: Nikolaus Harnoncourt conducts the Ponnelle production of Entführung, with cast headed by Eva Mei and Deon van der Walt. Tomorrow, Fri: Ralf Weikert conducts Ruth Berghaus' new production of Katya Kabanova, with cast headed by Ana Pusar and Peter Straka. Sun: La Cenerentola. Mon: Carlo Bergonzi song recital (01-262 0909)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

PERSONAL VIEW

A case of cut and thrust

Jochen Wermuth on Russia's record of economic management

Viktor Chernomyrdin has implemented austerity measures

In early 1994, Russia's economic prospects looked bleak. Industrial production and gross domestic product had fallen dramatically, inflation was running at almost 20 per cent a month and there were plans for a costly monetary union with Belarus.

Critics said the government had given up on economic reform, an assertion seemingly given new life last week by the dive of the rouble to almost Rbs4,000 to the US dollar.

In fact, the Russian authorities have implemented an unprecedented austerity programme during 1994: policymakers have responded to shortfalls in revenue with severe expenditure cuts, and high real interest rates have been maintained.

As a result, inflation is at its lowest levels since the economic reforms began and lending by the central bank has been so low that Russia has for the first time met its IMF monetary policy targets. At the same time, economic recovery is under way.

One reason for the critics' gloom is the fall in government revenue. Budget revenue has fallen from 29.5 per cent of GDP in the fourth quarter of 1993 to 26.3 per cent in the first half of 1994. This was due to changes in legislation, a profit squeeze as GDP fell and real wages stayed constant, and an increase in tax evasion.

However, the response to low revenue was not the widely-expected hike in central bank lending to government. Instead, government expenditure was cut from 35.3 per cent of GDP in the fourth quarter of 1993 to 32.8 per cent in the first half of 1994.

This is, by any standards, a serious fiscal austerity programme. It has been matched by successful efforts to increase tax compliance.

Another argument raised by critics is that monetary policy has been "loose" because the central bank is lending to the government at 10 per cent a year, well below market rates.

However, the amount of central bank lending to the government is restricted by credit ceilings. Because of these, quarterly central bank lending to government fell over the first half of 1994 from 8.8 per cent of GDP to 7.9 per cent.

Meanwhile, lending to other countries in the Commonwealth of Independent States has stopped. And lending to commercial banks is at high real interest rates, since the central bank has maintained high real refinance rates since November 1993.

The last batch of central bank credits at low interest rates – the so-called "soft credits" – was allocated in the spring. Since then, soft credits have been counted as part of federal government expenditure and are no longer a source of monetary expansion.

True, government borrowing from the Central Bank of Russia rose in July and August. But this was a deliberate move. The government is required by the parliament to make annual expenditure equal to the sum of tax revenues and approved borrowing. In 1992 and 1993, pressures from the former state enterprises and farms led to high levels of borrowing in the fourth quarter and a resurgence in inflation. This time, the government borrowed more in the third quarter to head off lobby pressures.

By September nominal borrowing had fallen to half the level of August. The October figures, in line with government targets, are similarly low. Officially agreed credit limits for the fourth quarter are at a record low and could be as little as 3 to 5 per cent of GDP if some borrowing is replaced by sales of governmental currency reserves, as planned.

Thanks to such restrictive monetary and fiscal policies, the Russian authorities have met the IMF monetary base target – even with the spring's soft credits and additional borrowing in the third quarter.

Despite the higher inflation rates of recent months and the recent collapse of the rouble, annual inflation this year is not expected to exceed 180 per cent, down from over 800 per cent in 1993 and over 2,400 per cent in 1992. Monetary growth at the end of 1994 could average 3 per cent a month – providing ideal conditions for stabilisation in 1995.

In spite of this restrictive policy stance, unemployment remains low and a recovery seems under way. Official GDP for August 1994 was 20 per cent higher in constant prices than in January, and 12 per cent higher than in August 1993. Industrial production troughed in May 1994 and has grown by around 1 per cent a month since. These figures are supported by statistics on energy consumption and evidence of a construction boom.

What prevents the country from taking off even faster are outstanding reforms in the energy and agricultural sectors, hidden subsidies to powerful lobbies and enterprises, and the failure to make enterprises bankrupt when they have no future.

The lack of an institutional framework for investors, such as registers to establish title to land, also means there is a lack of capital. Domestic saving has been low and Russia has remained a net exporter of capital. The government has been working on macro-economic policies for the next 10 years to pay back foreign debt. These include commitments that should help to attract long-term investment.

Furthermore, Mr Victor Chernomyrdin, the prime minister, rejected the first budget and monetary programme for 1995, which aimed at an average inflation rate of 5 per cent a month. Instead, on October 9, the government, supported by the president, set a budget deficit target for 1995 of 4-5 per cent of GDP. The government plans to finance a large part of this deficit by issuing Treasury bills and with what could well be the last significant injection of foreign credits, rather than through central bank lending to government. At the same time, a stable exchange rate is to be maintained.

As a result of these plans, inflation should be down to less than 1 per cent a month by the second half of 1995 and annual inflation is forecast at 27 per cent for 1995. This is the culmination of a two-year policy of a gradual but substantial reduction in inflation.

Given economic fundamentals, the government's tough policy, and the increase in the central bank's refinancing rate, the recovery of the rouble after its fall last week is no surprise. The real exchange rate is, in fact, no lower than it was in December 1993.

However, last week's rapid devaluation is a warning to policy-makers against any return to loose policies. Genuine exchange rate stability is thus more politically feasible.

Russia is on the brink of moving beyond crisis management and could soon be a G8 country with low inflation, low inflationary expectations and low medium-term interest rates.

Jochen Wermuth, of Balliol College, Oxford, is an adviser to the Ministry of Finance of the Russian Federation.

Joe Rogaly

A royal pipe-dream

The "Charles and Diana" story is the opium of the people. It attracts immense interest in most countries, but at home it does more. In Britain, gossip about the private life of the scions of the House of Windsor is an obsession of the tabloids, a quick-seller for the serious newspapers, dominant on the airwaves, an easy topic of conversation, the stuff of fantasy and scribblers' invention, marginal, fluffy, inconsequential – and, as such, a substitute for thought, a painkiller for a bewildered national psyche. It is, in short, a constant distraction from genuine problems of governance, evidence of a polity thrashing around for a sense of purpose.

The latter is the serious element in an essentially unserious flow of media pap. It may be that this flow has latterly been stimulated by the heir to the throne and his estranged wife, but that is beside the point. The British people approach the end of the 20th century as uncertain about their role in the world as at any time since the end of empire. Historians will be justified if they label it the century of moral decline.

The final decade is already looking inglorious. A prize for literature is awarded to a "novel" widely acknowledged to be illiterate. A fund is set up to spend the proceeds of a national lottery on celebrating the millennium, but no one, not even the minister in charge, has articulated a clear idea of what that means, or what there is to celebrate. At a conference of the governing party, a yob makes a successful bid for the front pages by lifting his kilt for the cameras.

We affect to be shocked, but our sensibilities are numbed. Nothing is sacred, least of all religion. There is some tut-tutting when a clergyman is dismissed for professing a lack of belief in God. Several of our television comedians appear to be motivated by a militant, even spiteful, atheism. The end of deference may be welcome, but in its place has come – a void. We revel in titillating accounts of the sexual misdemeanours of this or that government minister and affect surprise when we hear that various officials, elected and appointed, appear to have been lining their own pockets, or allowing their relatives to do so. We live in the kingdom of Grab, an empty commonwealth in which, when financial fiddles are revealed, some wonder whether the misdemeanour lies in the act, or the getting caught.

Charles and Diana have been subsumed into the production line of the media; they have become its primary raw material

In such a world, prattle about whether the monarchy will survive the war of the royal books is mere escapism. Prince Charles and Princess Diana have been subsumed into the production line of the media; they have become its primary raw material, second only to paper. They are the prince and princess of publishing. Their original image, that of the shyly spooning couple, was a romantic fiction in the preparation of which they connived. They are now assisting in the manufacture of the salacious prose that may diminish or possibly even destroy one or both of them.

Does it matter? At the Conservative party conference in Bournemouth last week the senior minister at our dining-table was asked what he made of it all. "You are addressing the wrong person," came the reply. "I give little thought to these things. All we need to know is that most voters are monarchists. Nearly all of them hold the Queen in high regard. End of story."

Mr John Major concurs. "I think the monarchy has got its roots sunk so deep in the affairs of the people of this country that it is very sound and secure," the prime minister said yesterday. His confidence is supported by precedent. Two centuries have passed since James Gillray's caricatures savagely attacked the extravagance and promiscuous behaviour of the "voluptuary", the then Prince of Wales. The crown survived. Nearly 60 years have flown by since the abdication of Edward VIII was forced upon him when he declared his intention of marrying Mrs Wallis Simpson, the American divorcee. His niece is still on the throne.

There is no constitutional reason why the Queen's eldest son should not succeed her. That he *shall* do so is, as it happens, the essence of the British constitution. The Prince's qualification for the job is that he is of his mother born. His private behaviour is irrelevant. This is not a change of mind on my part. I have long advocated the setting up of a federal republic of Britain, on the ground that the executive hides behind "crown prerogative" as an excuse for misgovernment. Hanging everything on the tag of the supposed royal command is a licence to print bonours, a permit for the exercise of patronage.

Yet I would cheerfully salute the accession of Prince Charles if the throne were first to become detached from the executive, made contractually subservient to the people, and defined in a written constitution. It might then usefully be slimmed down, becoming a "bicycle monarchy" as in northern Europe. It would certainly benefit from a period of reticence about itself, as the Duke of Edinburgh intimated yesterday. In such clearly-defined circumstances, the role of an hereditary king as a focus of loyalty to the nation – that is, of all of us to one another – could as well be fulfilled by Prince Charles as anyone. Better that, as they said at the recent Liberal Democrat conference in Brighton, than President Tebbit or, heaven help us, President Thatcher.

Meanwhile Queen Elizabeth II is more likely than not to reign well into the next century. The first queen bearing her name ruled during a flowering of English culture; hers were years of national glory. The second Elizabeth, possessed of few powers, has been less fortunate. She has been able to reign, but not rule. She has been steadfast and dutiful, but her governments have not covered themselves in glory. They have left the nation uncertain about whether it belongs to the continent to which it is attached.

As a nuclear power and permanent member of the security council, Britain retains the vestiges of its "great" past, but lacks the self-confidence to participate wholeheartedly in the affairs of the European Union. We cling to illusory "certainties", such as "sovereignty" and the idealised Victorian royal family. We know that reality lies elsewhere. Some – perhaps most – of us cannot bear the knowledge. To get through the night, we tune in to "Charles and Di," and go back to sleep.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Strength in unity is only UK option

From Mr J H de Raat.

Sir, Norman Lamont's thoughts concerning the UK and the European Union place him some time in the first decade of this century ("Lamont says it may be necessary to pull out of EU", October 12). He need only look beyond his small island to see that the UK will wither and shrivel if it cuts itself off from the continent.

The economic power centres of the world are shifting to the east. China's enormous potential is only beginning to be realised.

Among the great advantages China has over western Europe is that it has so much to do in order to modernise. Not having progressed at the rate of the west, China can make use of the latest technologies without having to consider a loss on its investment in earlier technology.

China will indeed make its "great leap forward". Without strong competition from a united Europe and a reinvigorated North America, China will be far ahead by the middle of the new century.

In the face of the progress of China and some of the other countries in East Asia, the UK is not in a position to go it alone. Like the rest of Europe (of which, like it or not, it is a part), the UK will have to find strength in union.

The only other alternative I can see is for the UK to halt all further development and to turn the whole country into a museum. In 20 years or so the nation and its people could make a decent living by charging admission. How quaint it would be.

J H de Raat,
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The Netherlands

University reform proposal is recipe for destruction

From Prof Tony Pointon.

Sir, Your editorial, "University reform" (October 11), while being music to the ears of certain pressure groups who would subordinate a rational system of higher education to self-interest, will probably be quoted (and – God help us – used) to wipe out the UK system of higher education as an international competitor.

You suggest "a designated 20 or so universities" should be funded to do research, while others would be restricted to being teaching institutions. What this would mean is that there would be 20 universities in the UK. That may be an aim espoused by the Financial Times – although there is absolutely no logic advanced for it.

Of course, many universities are currently inadequately funded to carry out their functions as places of teaching, learning and scholarship. The FT's contribution appears to be to propose they are destroyed before they can collapse.

Tony Pointon,
chairman,
committee of chairmen of research committees of new universities,
University of Portsmouth,
Portsmouth PO1 2UP

Basis for manufacturing's pleas survives intact

From Mr John Wells.

Sir, Peter Robinson (Letters, October 11) errs in appearing to equate fixed investment in plant and equipment (p and e) with manufacturing investment in p and e. In fact, manufacturing now only accounts for 28.5 per cent of total p and e investment in the UK economy, down from 48 per cent in the early 1960s; the services, broadly defined to include internationally exposed and sheltered segments, account for the majority of economy-wide p and e investment.

UK manufacturing's miserable record in p and e investment can be gauged from the fact it now accounts for just 1.6 per cent of gross domestic product – against 3.2 per cent in the early 1960s. In absolute terms, UK manufacturing's p and e investment is no higher (at constant prices) than 20 years ago, but then output is no higher either.

The UK's comparative investment record internationally can best be gauged from the following data of the share of total manufacturing investment as a percentage of gross domestic product (averages for 1980-1992): UK: 2.1 per cent; Germany: 3.1 per cent; France: 3.2 per cent; Italy: 4 per cent.

Quite why UK manufacturing stagnates despite the recent sharp recovery in profits remains a mystery.

But the statistical basis for the industrial associations' pleas for fiscal incentives survives Peter Robinson's strictures intact.

John Wells,
University of Cambridge Faculty of Economics and Politics,
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Cambridge CB3 9DD

Clear and velvet tones at their best

From Ms Gail Chan.

Sir, I am writing to protest at your music critic's review of Kathleen Battle's recital with the Philharmonia ("Battle with the Philharmonia", October 14). To say that her rendering of Mozart's *Exultate Jubilate* was "a boring vocal display" is both grossly unfair and pitifully inaccurate.

It is well known that Miss Battle does not have a loud booming voice. I was sitting quite far back in the hall and I was apprehensive that I might not hear well. However, I found that I could hear her quite clearly.

The piece was sung with an abundance of subtle tone colours. Far from "one mezzo-forte-ish dynamic" she maintained a beautifully controlled and sustained fortissimo which was never harsh and strident. She sang with an apparently effortless mastery of the music which left the audience in a state of joyful bliss – as was evidenced by the prolonged and enthusiastic applause.

It is to Andre Previn's credit that he composed his song cycle *Honey and Rue* for Battle's voice. The result was truly magnificent. We were treated to a display of her velvet tones at their best, full of light and shade, and great warmth: a heavenly interpretation with its high point the fourth song "Do you know him" which, far from calling for "earthiness", requires and was rendered with a beautiful timeless ethereal quality. Only a very unmusical person could fail to be moved.

It is indeed sad when such great artistry is so ill received and unrecognised.

Gail Chan,
31 Norland Square,
London W11 4PU

Foreign entrants to Italian retail market will need to seek partner

From Mr Alan D. Gordon.

Sir, Neil Buckley's article, "Retailers' global shopping spree" (October 13), cited Italy as one of the "tough three" markets. We can confirm that it is "tough", especially for foreigners. It is changing rapidly, but "à l'Italienne".

We have made four large studies of food retailing in Italy – the first in 1980 when the balance of power was firmly with producers and their problem was physical distribution costs in serving the large market. Those of 1987 and 1989 showed some increasing retailer toughness, but multinational producers still got 20-30 per cent higher prices for their grocery products in Italy than in France or Germany due to the semi-collusive relationship with retailers to maintain high prices.

Our new study, just published, shows that, while pending legislative changes will probably allow the big to get bigger, the basic objective of large Italian retailers is to keep out any large foreign invasion (as in Spain) and ensure foreign entrants come in via a partner (for example, franchising) or on a joint venture basis.

There are examples of acquisition by Carrefour and Tengelmann, but the candidates are small and individually give little position.

Auchan has been trying to start from scratch in Italy and has hardly made any progress, mainly due to bureaucratic obstruction. Foreign discount chains with small units are making some progress because of the lower threat to local interests.

The Coop is the largest retailer in Italy and voluntary chains and buying groups have a strong presence. The integrated "five sisters" (Rinascentre, Standa, GS, Esselunga and Pam), plus the Coop, currently only hold 21 per cent of grocery food sales.

We forecast, however, that the top five groups (all categories) will hold 40 per cent in 2000.

Producers are meeting growing demands for discounts, longer delays in payments, increased publicity costs, and tougher logistics requirements, while private label is starting to gain momentum. While Italian retailing is concentrating, potential foreign retailer entrants, to be successful, will have to find a suitable Italian partner.

It is not for nothing that in the cold-war days Italians boasted they would have converted invading Russian soldiers into Italians in 12 months.

Alan D Gordon, *chairman and managing director,*
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FINANCIAL TIMES
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Tuesday October 18 1994

Weaker rule in Germany

Despite the robust confidence displayed by Chancellor Helmut Kohl yesterday, his margin of victory in Sunday's German elections was uncomfortably narrow. The centre-right coalition's 10-seat Bundestag majority appears insufficient to guarantee passage of tough measures needed to improve Germany's economic structure, particularly cuts in public spending and taxation, and social security reform.

Modest recovery from recession will continue, but so will voter disgruntlement caused by cuts in real incomes needed to correct post-unification economic imbalances. Mr Kohl's domestic problems may divert his attention from necessary efforts to show German leadership over European integration.

Mr Kohl owes his fourth term in office to his considerable electioneering skills, mistakes by the opposition Social Democrats (SPD), and the innate conservatism of the German electorate, which since the war has never ejected an incumbent government. None the less, there is a risk that the coalition between the Christian Democrats (CDU) and the liberal Free Democrats (FDP) may not last the full four-year parliamentary mandate.

The share of the vote registered on Sunday by both senior parties, the CDU and SPD, was well below the average of the past 30 years. Voting fragmentation, reflected in the strength of the Greens and reformed east German communists (PDS), will make the future policies and alliances of government and opposition prone to complex political arithmetic.

Reflecting the shrunken Bundestag majority and the Social Democrats' hold over the Bundesrat, which has a veto over tax legislation, the coalition's power to introduce radical legislative initiatives has now crumbled. It is true that Chancellors Willy Brandt and Helmut Schmidt survived two past legislative periods with similarly slander majorities. However, in 1969 and 1976 the Social Democrats' comparatively fresh coalition with the Free Democrats was probahly in a fundamentally stronger state than Mr Kohl's 12-year-old government.

Much will depend on how the Free Democrats adjust to the loss of power and prestige caused by a string of election setbacks. Mr Kohl's recent rejection of his coalition partner's calls for tax cuts indicates the FDP's difficulties in maintaining its traditional high profile as an exponent of free market policies. On the other hand, the FDP leadership, knowing that many voters now see it as little more than an ersatz CDU, seems unlikely to risk a trial of strength with Mr Kohl by threatening to defect to the SPD in mid-term.

The questions facing the SPD under its chairman and future parliamentary floor-leader, Mr Rudolf Scharping, are still more painful. It has lost four successive general elections, and leadership divisions during the recent campaign have left fresh scars. Mr Scharping's task is to mount an energetic yet constructive challenge to Mr Kohl, particularly over economic policy, that will strengthen the SPD's credentials as a party of government. Given the SPD's strength in the Bundesrat, the new government in Bonn will in some ways be behaving like a *de facto* Grand Coalition. If Mr Scharping can use his leverage wisely, and restrain those within his party wishing an overt alliance with the PDS or the Greens, he may yet reap his reward.

Inward & upward

Last week the ex-chancellor, Mr Norman Lamont, declared himself "unable to pinpoint a single concrete economic advantage" that comes to the UK from its membership of the European Union. A trip to Cleveland and Durham ought to make him think again.

Samsung and Fujitsu yesterday joined a growing list of foreign companies that have recently decided to invest substantially in their UK sites. Such companies are apparently happier to invest in the UK's economic future than many of their home-grown counterparts have been of late. But Mr Lamont and others should be under no illusions: these foreign direct investors are betting money on a future within the EU, not without it.

Not so long ago, yesterday'a announcements by Samsung and Fujitsu would have been met with littla but complaints. Once the world's leading manufacturer, the UK was said to be becoming merely a site for the "screwdriver" operations of foreigners eager to escape European import barriers.

Why are these complaints not heard today? Some would put it down to a new realism about the UK's economic options. But it is also the fact that Japanese direct investment has yielded considerable benefits to both sides. The latest census data indicates that foreign-owned manufacturing enterprises achieved an average 31 per cent higher net output per employee than domestically-owned enterprises in 1991. This is to be expected: the companies coming to the UK are some of the most successful in the world. But that is merely another argument in favour of such investment.

Low-cost labour, the English language and membership in the EU are clearly a large part of the UK's attractiveness. The Nissan plant in Sunderland, for example, was a simple assembly operation for European sales when it was announced in 1984. From such beginnings, however, grew a plant that is now the UK's largest car exporter, employing 4,600, up from an initial 470. With luck, Cleveland and Durham will provide similarly good examples for UK companies to follow. Maybe the latter should also acquire the Asians' quiet trust that the sentiments of Mr Lamont and others will not prevail.

Precarious peace

The Middle East peace process took another important step forward yesterday with the initialling of an outline agreement between Israel and Jordan. With the Hashemite kingdom now joining the Palestinians on the path completed only by Egypt, there is a mounting sense that the process is irreversible.

Confidence would have been greater had it not been for events last week in Israel, where Palestinian extremists came alarmingly close to wrecking much of what had been achieved. The alarm is all the greater because the main proponents of peace knew all too well of the dangers in over-reacting to such calculated provocation. Hamas, on the one hand, and a Jewish extremist fringe on the other, have both shown this year their capacity for politically motivated murder. The terror attack by Hamas in central Jerusalem last week, and the subsequent kidnap and killing of an Israeli soldier, are part of a depressingly predictable pattern.

Mr Yitzhak Rabin, Israel's prime minister, is right to expect that the Palestinian police force should maintain order in the newly-liberated territories. But to attempt to link the future of the peace negotiations with the ability of the Palestinian police to prevent Hamas from committing acts of terror in Israel proper is dangerous.

Although Mr Rabin and Mr Yassir Arafat, the Palestinian leader, find no pleasure in each other's company, they share a common objective in seeking to blunt the appeal and activities of Hamas in its hid to sabotage the peace agreement. To this end, the security forces of both sides need to co-operate, not to apportion exclusive responsibility and subsequent blame for security failures. At the same time, the two men need to work on limiting the appeal of Hamas to the wider Palestinian population, which means redressing the economic deprivation and political grievances that are still rife throughout the occupied West Bank and liberated parts of the Gaza strip.

There is culpability on both sides for failing to move the peace process forward with greater urgency. Mr Arafat's reluctance to consult or delegate has delayed the creation of an effective bureaucracy, and with it hundreds of millions of dollars in international aid. Mr Rabin's desire to tie down every last detail of each accord in a way which stifles any sense of Palestinian self-determination has served to dissipate much of the goodwill that surrounded the initial breakthrough.

Withdrawal of Israeli forces from the rest of the West Bank and elections for Palestinians to choose legitimate leaders are urgently needed. Israel should allow the elections fairly to reflect Palestinian opinion and should recognise their results, whether they legitimise Mr Arafat's leadership or replace him with others more capable of pursuing Palestinian aspirations. The practice of democracy can only assist peace.

The agreement initialled in Amman yesterday has contributed to sustaining the wider momentum for peace, while continuing US efforts offer hope for progress between Israel and Syria. Bnt events of the past week have been a reminder of how critical the core issue of Israel's relations with its Palestinian neighbours is to the entire fabric of peace.

Quentin Peel examines the challenges ahead for Chancellor Helmut Kohl's coalition government

Battle to hold the middle lane

In the small hours of Germany's Monday morning, any normal political animal would have been wide awake, frantically following every last election return to determine the fate of Chancellor Helmnt Kohl's government.

Computer predictions put his overall majority at two seats, a cliff-hanging result well within any normal margin of error. Only three-quarters of the seats were counted by midnight, and most of the remainder were in unpredictable territory in east Germany. On the face of it, it could have gone either way.

But in Bonn, at midnight, most German political animals were in bed.

In the first place, Mr Kohl had said he had won, so they believed it. Indeed, Mr Rudolf Scharping, the leader of the opposition Social Democratic Party (SPD), had virtually admitted defeat. And secondly, they knew that even a two-vote majority would not necessarily spell chaos and instability in the German political system.

Long past bedtime, it emerged that the chancellor's conservative-liberal coalition had actually survived with a 10-seat majority, a dramatic drop from its lead of 134 in the outgoing parliament, but, in Mr Kohl's words, "a perfectly good working majority".

Yesterday, the markets took it all in their stride. The Frankfurt stock exchange put on an initial 2 per cent, before falling back later in the day in "muted" trade. The bond market was up. The atmosphere was relaxed.

Bnt the political establishment was split down the middle over whether the current coalition would survive its full four-year term.

"They won't even last a year," Mr Rudolf Dressler, social affairs spokesman of the SPD, said yesterday. "There is no reason why they shouldn't survive a full term," said Mr Klaus Beck, head of the Bonn liaison office of the trada union federation.

Everyone accepts that a tiny majority is not in itself a disaster. Former Chancellor Helmut Schmidt survived with a 10-seat majority from 1976-1980, and his predecessor, Mr Willy Brandt, had a 12-seat margin from 1969-1972. The government of the north German state of Schleswig-Holstein has been in power with a one seat majority since 1992. There are no mid-term by-elections, and German governments are anyway slow-moving, consensus-based creatures, which avoid conflicts at all costs.

The trouble for Mr Kohl is that his coalition contains political strains which have been under pressure for several years and the finely-balanced election result could just bring them to breaking point.

And the government agenda in the coming four years is certain to include some issues that could provide the material for deep divisions.

For a start, it must tackle the question of tax reform, of both income tax, which is the chancellor's priority, and company tax. Another key question is the soaring cost of the welfare state, and how to control it. And Privatisation and deregulation are also potentially divisive issues for the members of the coalition. And so is the need to take tougher action to enforce law and order, and cope with organised crime.

Only foreign policy looks to be an area of relative harmony.

Everything depends on the highly unpredictable Free Democratic Party (FDP), the liberal minority partner in the ruling coalition, and the big loser in Sunday's general election. It emerged from the poll with just 47 members in the 672-seat Bundestag, compared with 79 in the previous parliament. But it still holds the balance of power between Mr Kohl's Christian Democrats and the opposition SPD.

The party, led by Mr Klaus Kinkel, the foreign minister, has fought a string of disastrous election campaigns during the year, losing all its seats in 10 state parliaments, and in the European parliament, because it failed to get more than the required 5 per cent minimum share of the vote. In east Germany, in particular, its philosophy of free market liberalism has failed to find any response.

It scraped into the Bundestag on Sunday night, largely thanks to votes transferred by CDU supporters. People who said they voted FDP as they emerged from the polling stations were asked which party they really favoured. No fewer than 63 per cent said CDU, compared with only 16 per cent for the FDP itself.

The FDP is now the smallest member of the coalition - the Bavaria-based Christian Social Union (CSU) has 50 seats. Yet the irony is that it is more politically powerful, because of the paper-thin majority, than it was over the past four years.

Mr Kinkel is totally committed to the current coalition. He fought the entire election on that basis. But he knows that over the next four years he has to win a clear political profile for his own party if it is to survive the next election at all. The FDP has to take a clear, independent position on issues. The question is whether it can best do that within the ruling coalition, or outside it.

On tax reform, the FDP, the CDU and the CSU are not too far apart, although the FDP is clearly more radical in the rednction it would wish to see in company tax.

It is also more potentially radical on deregulation and privatisation. A big issue for Mr Günter Rexrodt, the economics minister, has been the need to make the energy market more competitive, and another has been to deregulate the retail sector - both issues on which he has met solid opposition from the more conservative CDU/CSU.

But the most potentially contentious area is social spending cuts, where the FDP is also more radical than its more powerful partners.

"The dilemma of the FDP is that they will be tempted to try to get more profile by being in the forefront of moves to deregulation and to slim the welfare state," according to one top political adviser. "But they know first of all that the CDU is much more cautious. And Mr Kohl knows that these are issues on which he needs the support of the Bundesrat (the second house of parliament representing the 16 federal states). The Bundesrat has an SPD majority, and on such issues, he will never get that support. So he has to resist the FDP."

Social spending issues nearly brought disaster during the past four years, first over reform of the health service, and then over setting up a new insurance scheme to finance nursing care for the old and handicapped. The FDP backed down, hut next time, it might decide not to.

The other key area of contention could be law and order, for the FDP still contains a strong libertarian wing, committed to generous immigration policies, good race relations, and a determined resistance to police surveillance, such as bugging telephone lines. Mr Kohl will be pushing for tougher action on law and order, to fulfil his election promises.

Only on Europe are the coalition members in hroad agreement, although Mr Kohl is perhaps more passionate about the need for further European integration.

But any of those issues could be the one the FDP chooses to use to seek a new profile, if the party leadership decides that is the best strategy.

Mr Kohl, on the other hand, will bend over backwards to keep his coalition together. He knows that the alternative - a grand coalition with the SPD - was a disaster for his party before, when it paved the way for a change of power to an SPD-FDP alliance. He will thus seek to accommodate the liberals, within the limits of his need to work with the SPD majority in the Bundesrat. That is where a *de facto* grand coalition already exists.

That is perhaps why the German body politic, and the financial markets, can afford to be so relaxed about such a close election result. But it still leaves the future clouded by uncertainty, and the fate of Mr Kohl in the hands of his unreliable partner, Mr Kinkel.

Antony Thorncroft argues that the Millennium Commission needs to firm up its brief

2000 and beyond

Members of the Millennium Commission, a handpicked band of nine of the extremely Good and reasonably Great, are travelling the UK for ideas on how to spend an estimated £1.6bn to celebrate the end of the second millennium.

While they search for imaginative suggestions, they must also find a new chief executive. For when the Commission moved into new offices in Westminster's Little Smith Street last weekend, it was minus a boss.

Mr Nicholas Hinton, former head of the Save the Children Fund, was dne to start a £72,000-a-year job there yesterday. But last week, the Commission's chairman, Mr Stephen Dorrell, the National Heritage Secretary, told him his services would not be required.

In his preliminary meetings with the commissioners, Mr Hinton had proved too interventionist. He thought he would have a decisive say in how the millions were spent: the commissioners are seeking a more subservient bureaucrat. Excited by the prospect of making their mark on the future, the commissioners are not about to delegate.

However, they are saddled with implementing a scheme that has no organisation and is without a practical, considered, brief.

The Millennium Fund, first mooted by Lord Palumbo, the former chairman of the Arts Council, is set to receive a fifth of the proceeds from the UK's National Lottery until the year 2001. But it is starting from scratch.

Until this weekend, the fund consisted of a seconded civil servant, Ms Heather Wilkinson, a handful of helpers, and nine part-time commissioners, headed by Mr Dorrell and including Industry Secretary Michael Heseltine.

Other commissioners were chosen for their strong regional links, or interest in areas likely to receive Millennium money. The Honourable Robin Dixon was ideal as an Olympic athlete from Northern Ireland; the Earl of Dalkeith can speak for Scotland and the heritage; and journalist Simon Jenkins is interested in architecture and has a Welsh background.

But choosing the commissioners was the easy part. Deciding how the Millennium Fund should operate and what it should spend the money on is proving more difficult. The only guidelines were provided in a short speech by the former Heritage Secretary Peter Brooke.

In it, he urged the commission to "seek to capture the spirit of our age in anduring landmarks that symbolise our hopes for the future". Millennium projects should be those that would probably not otherwise happen, he added. "Above all, the Millennium Commission's legacy should form a permanent enhancement of our national heritage".

Not much detail there, although Mr Brooke had his own favourite ideas. He wanted a big Millennial Festival, and was keen on bursaries. On the projects, particularly the grand works that will absorb around *half* the Fund's expenditure, the brief was wide open.

If the commissioners want to, they can reject all the likely front runners. The new Tate Gallery of Modern Art on London's Bankside is a strong candidate – it represents contemporary art and it is international. But it is planning to move into a converted 1940s power station rather than a brand new 21st-century structure, hardly fitting for the new Millennium, the commissioners might decide.

They can suggest to the proposed Cardiff Opera House that it goes to the Welsh Arts Council for its funding. They can point the revamped South Bank Centre towards the fifth of the lottery assigned to heritage projects. All can be criticised for not occupying new buildings, or for having possible alternative sources of lottery funding.

This should add up to plenty of work for the nine part-timers. But the Commission will also ba distributing thousands of small local grants, of £10,000 upwards. And the commissioners seem unwilling to hand over responsibility for these much smaller projects to a bureaucracy.

This is perhaps understandable. The Millennium money comes from millions of ordinary citizens spread across the land, with the majority living far from a national opera house and art galleries. The government is keen that they should benefit. But how? The commissioners' tour for grass-roots projects has had little success to date.

Most of the suggestions are outside the scope of the Fund – improving the health service, or education, or transport are already the responsibility of existing government institutions. Many are worthy but banal – like giving every village a millennial clock, or (the prime minister's suggestion) giving every community hall a computer. Few seem keen on a giant ferris wheel on the banks of the Thames. The Channel Tunnel has deterred plans for great engineering ventures. Environmental ideas – inner-city parklands and a new Caledonian Forest – look likely winners.

The government proclaims it wants an independent body, but the commission is an obvious source for some "feel good factor" in the run up to the next election.

However, without guidelines and a bureacracy that can take decisions, the Millennium Commission looks like becoming a huge bottleneck with plenty of money, hut not enough time.

OBSERVER

Three cheers for Oleg

■ Oleg Soskovets, Russia's first deputy prime minister, is proving to be an indispensable cog in Russia's political machine. As Russia's unofficial minister of apologies, he is the man who has to turn out at short notice to explain away the sudden no-show of his superiors.

Three weeks ago he had to explain to Irish prime minister Albert Reynolds why President Boris Yeltsin did not want get out of his plane at Shannon airport. Yesterday, he turned up at Moscow's Vnukovo Airport to glad-hand the Queen because his prime minister, Victor Chernomyrdin, was having too much fun on holiday in Sochi.

The incident confirms the air of improvisation surrounding the Russian government. Yeltsin, who has twice delayed a planned state visit to Ukraine, decided at the weekend to put off a meeting of the Security Council to consider a report by the federal intelligence service on the reasons for the fall in the rouble last week.

Next Saturday's high-level meeting of the signatories of Russia's treaty on social accord, promoted as a crucial element of the country's political stability, has just been put off – without explanation – until December. Finally, the parliament's legal committee has postponed Friday's vote of confidence on the government's handling of last week's currency crash – because the finance ministry had been unable to prepare a report on the budget due today. Guess who was due to present that report? The overburdened Soskovets.

Share timetable

■ Nice to see Sir Alastair Morton, Eurotunnel's co-chairman, underlining his confidence in the sickly project by buying 5,000 more shares yesterday. What's more he says that he plans to hold them at least a year and then sell them when "the holding shows me a 50 per cent growth". Brave words. Sir Alastair paid £2.30 for the shares and by the close was showing a loss of 7p a share on his latest investment. Timing has never been one of Sir Alastair's strong points.

Sock it to 'em

■ The German electorate may have returned the same old chancellor at the weekend, but look to the 30 deputies from the Party of Democratic Socialism, successors to east Germany's former communist party, to inject a bit of fresh colour into the next Bonn government.

Candidate for the gerontocracy is Stefan Heym, the 81-year-old writer, who, as the oldest member of the Bundestag, qualifies to deliver the opening speech when parliament

'Love and affection are for the proletariat'

reconvenes. The literary caucus is further bolstered by the presence of Gerhard Zwerenz, known principally for his steamy short stories. Heinrich von Einsiedel, the great grandson of Bismarck, should be relied on to deliver a piquant historical perspective, as, in a different way, should Rudolf Kutzmutz, who admits to having been an informer for the Stasi secret police. On the distaff side, meanwhile, the formidable Christina Schenk, an outspoken lesbian, will be rubbing shoulders with Christa Luft, the elegant Marxist economist.

The PDS's parliamentary leader Gregor Gysi promises "anything but a boringly unified fraction". You could say that the heirs to the faceless grey communist party apparatchiks have come far.

Case history

■ Hope that professional investors attending Singer & Friedlander's Company Investor Show on Thursday pay a bit more attention than they did last year.

The idea is to give small quoted company stocks an opportunity to tell their story to the investment community. Last year, fund managers, brokers and analysts attending were asked to pick the three stocks that would perform best over a six month period. No one came close to picking the winning portfolio – car distributor William Jacks, chemical colours company European Colour or Regent Hotels – and no prize was awarded. All jolly embarrassing.

In a bid to tickle the palates of a better class of punter this time round the organisers are offering a case of White Burgundy – 1992 Meursault.

Time, gentlemen

■ The European Monetary Institute, the precursor to the European Central Bank which has been squatting in Basle since the beginning of the year, moves to Frankfurt next month and is inviting journalists to its new headquarters after the mid-November council meeting.

But it seems to hava gone native even before it has pitched its stall among the preternaturally tidy-minded Teutons.

Observer, having just discovered that journalists were supposed to register their interest (in *writing*) by October 7, won't be there.

Quality time

■ British Rail travellers be warned: the system is running out of timetables. London's Kings Cross station, for example, no longer stocks timetables for journeys to Bournemouth or Liverpool. "We haven't had all the timetables since British Rail was split up in April," says an assistant.

Look on the bright side: if there are no timetables, at least you won't be worrying about trains running on time and all that nonsense.

Fasten seat belts

■ Unhappy conjunctions now featuring on the Uzbekistan Airways flight from Bangkok to London via Tashkent.

The in-flight magazine – inventively titled 'Uzbekistan Airways' – carries a profile of the Uzbek national football team, all killed in an air crash some years ago, as the article explains.

And the movie? *Dracula*.

FINANCIAL TIMES
Tuesday October 18 1994

Historic treaty paves way for economic links

Israel agrees draft deal for peace with Jordan

By Julian Ozanne in Jerusalem

Israel and Jordan initialled a peace treaty yesterday in Amman, the Jordanian capital, paving the way to normal relations between the two countries and breaking down economic barriers in the Middle East.

Mr Yitzbak Rebin, Israeli prime minister, and King Hussein of Jordan settled disputes over their border and access to the region's water sources to achieve the draft treety. It was initialled by Mr Rabin and Mr Abdul-Salam al-Majali, the Jordanian prime minister, at Amman's royal guest palace.

Mr Rabin immedietely returned to Israel and received unanimous support from his cabinet for the accord.

US president Bill Clinton might attend the signing ceremony, expected next Wednesday on the Jordan-Israel border, marking the formal end of hostility between the two countries which have fought three wars since 1948.

The treaty, Israel's first formal peace accord with an Arah neighbour since the Israeli-Egyptian agreement of 1979, requires ratification by both parliaments. After that e timetable of normalisation will include the exchange of ambassadors and the opening of borders.

The agreement is critical for hoosting economic integration and trade in the region. It will put pressure on Syria and Lebanon to intensify peace talks with Israel, and considerably enhance Mr Rabin's domestic standing. The treaty will also unlock a range of planned economic projects, including shared use of trade infrastructure, joint projects in water, energy and tourism and direct hilateral trade links.

Mr Rabin said the agreement "will set a cornerstone for e new Middle East in which peace, development and co-operation will replace animosity, hatred and war".

Details of the deal have yet to be released, hut Mr Rabin said the two sides had agreed to a border based on the international houndary between Jordan and Palestine drawn hy the British in 1931, with only minor changes.

Mr Rabin said neither side had lost or won, although Jordanian and Israeli officials said accepting the 1921 border meant that Israel had given up a substantial part of the 350 sq km of arid land claimed by Jordan. Israeli farmers living on part of the land would be able to stay under a leaseback deal which recognised Jordanian sovereignty.

Israeli officials said Mr Rabin and King Hussein spoke to President Clinton yesterday and urged him to attend a regional signing ceremony. Both leaders want to support Mr Clinton in maintaining his Democratic majority on Capitol Hill in the November 8 congressional elections, given his administration's huge financial and military underwriting of the Middle East peace process.

Mr Clinton said: "At e time when hatred and extremism and threatening behaviour still stalk the Middle East, this agreement reminds us that moderation and reason are prevailing."

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Brussels to deepen Italian telecoms probe

By Andrew Hill in Milan

The structure of Italy's state-controlled telecommunications sector is to come under European Commission scrutiny as part of an antitrust investigation into the proposed joint venture between Italtel, Italy's telecoms equipment manufacturer, and Siemens of Germany.

The commission yesterday announced it was deepening its investigation into the deal struck in March between Stet, the state-controlled holding company which is Italtel's parent, and Siemens. The two companies agreed to merge their equipment manufacturing interests in Italy. Stet and Siemens would eech control 50 per ceot of the new company, which would have a turnover of aboot L3,400bn ($2.16bn) in 1994.

The Brussels inquiry, which follows e preliminary one-month examination of the case, could last np to four months. Thet means it is likely to overlap with the build-up to privatisation of the Italian state's 85 per cent holding in Stet, expected to take place in the middle of 1995.

The commission said it was concerned about the impact of the Italtel-Siemens deal on the Italian market for the supply of telecoms switching and exchange equipment in the state sector. It said the joint venture would command around half the Italian market for public switching and transmission equipment.

But the commission is also worried about vertical links between Italtel/Siemens and Telecom Italia, Italy's main domestic telephone company. Telecom Italia, which is Italtel's principal client, is also a subsidiary of Stet. "One of our concerns is that one of the main EU companies, Siemens, will have the same status [within Stet] as Italtel, which has a very important relationship with Telecom Italia," said the commission yesterday.

The announcement of an in-depth inquiry was not unexpected, given that Italtel already had nearly 50 per cent of the Italian equipment market before the merger. But it is the second antitrust setback this month for Stet and Telecom Italia, which are under pressure to end their monopoly over parts of the Italian telecoms sector.

Last week, a Milan eppeal court ruled that Telecom Italia would have to provide more leased lines for Telsystem – an Italian telecoms services company that wants to provide telecoms services for businesses in Italy – pending e ruling hy Italy'e antitrust authority.

The commission will also consider if the proposed joint venture will hinder implementation of public procurement rules and the opening up of national markets to EU competition.

India scraps bank lending controls to boost borrowing

By Stefan Wagstyl in New Delhi and R C Murthy in Bombay

India scrapped most controls on bank lending rates yesterday to promote cheaper credit for blue-chip borrowers and stimulate competition in the banking industry.

The changes, announced by the Reserve Bank of India, will help the government rebut criticism from the International Monetary Fund and other observers that India has been delaying economic reforms started three years ago by Prime Minister P. V. Narasimha Rao.

Mr C. Rangarajan, reserve bank governor, said the new policy marked a continuation of financial sector reforms. While controlling inflation remained important, the central bank would tolerate a faster rate of money supply growth than before: 16 per cent for the year to the end of March 1995, against an original target of 14-15 per cent.

The central bank also raised from Rs2bn to Rs5bn the ceiling for loans from all Indian banks to a single large project. The measure will help companies raise credit for power stations and similar schemes.

Industry welcomed the prospect of lower interest rates. Mr Suhodh Bhargava, president of the Confederation of Indian Industry, the employers' organisation, said: "The new policy includes initiatives industry has heen seeking for some time."

The latest reforms were contained in the central bank's announcement of its credit policy for the six months to the end of March.

The minimum lending rate, controlled by the reserve bank since bank nationalisation in 1969, is to be deregulated for loans of about Rs200,000 (£4,123), which covers the great majority of all bank lending. Controls will remain in place for smaller loans.

Bankers were divided over the extent of likely declines in lending rates from the present 14 per cent.

Some forecast falls up to 2 percentage points; others predicted a decrease of 0.5 percentage points. The biggest benefits are expected to go to big blue-chip borrowers able to negotiate good terms.

An important constraint on reducing lending rates will he that deposit rates will remain fixed, though the key savings rate will fall from November 1 by 0.5 of a percentage point to 4.5 per cent.

The big state-controlled banks are under pressure hy the government to improve their profitability. But competition from privately-owned hanke will tend to encourage lending rate cuts.

Kohl in talks to reform German coalition

Continned from Page 1

east German communist party.

The size of the government majority was bolstered at the last minute by the allocation of 16 so-called "residual seats" to the parliament, resulting from Germany's two-vote proportional representation. Twelve of the seats went to the CDU, and four to the opposition SPD, giving the latter a total of 252 seats.

Mr Klaus Kinkel, the foreign minister and leader of the FDP, said that coalition negotiations would begin next week.

His own party emerged from the election with 32 seats fewer than in the previous parliament, after its vote sank from 11 per cent to 6.9 per cent. This means the FDP will almost certainly lose at least one of its ministries.

The other major changes are the return of the Greens to the Bundestag, with 49 seats, and the election of 30 members of the PDS, in spite of the fact that the former communists did not win the minimum 5 per cent of the netional vote. Instead, they gained four seets in the first direct vote, all in east Berlin, giving them the right to proportional representation.

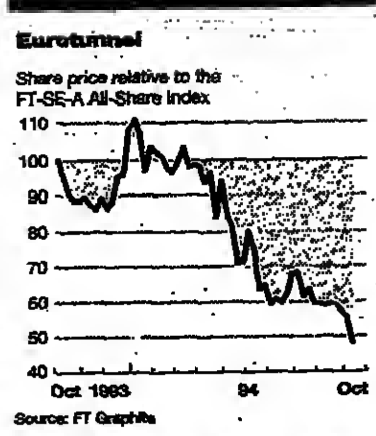
THE LEX COLUMN

Eurotunnel's cash crunch

Eurotunnel and its advisers, S.G. Warburg, should be suitably red-faced for undershooting its revenne projections by so much so quickly. Long-suffering shareholders who subscribed to May's rights issue at 265p yesterday watched their sterling units drop to just 221p – their lowest point since 1988.

The group's deteriorating cash position is the immediate concern. It means Eurotunnel is unlikely to meet the conditions necessary to access its senior debt next spring. This need not involve yet another rights issue because the hreach is likely to involve tens rather than hundreds of millions of pounds. But it adds aggravation at e time when the management should be concentrating on next summer's peak season.

FT-SE Index: 3120.2 (+13.5)



Source: FT Graphite

Each time important milestones have been reached – when the boring was completed, when the tunnel was commissioned, when the Queen and President Mitterrand opened it – doubts have emerged. Concerns over whether the group can generate enough revenue to cope with its interest hurden should be dispelled or confirmed next summer when the system is supposed to run at full capacity. Three things will be needed if it is to succeed. Eurotunnel has to ensure service quality, running fast, reliable and frequent trains; British Rail and SNCF have to generate volumes on the city to city routes; and Eurotunnel must avoid a price war with Stena and P&O.

The auguries are not good. The margin for error is tight and Eurotunnel's historic inability to predict even the nearest of futures does not instill confidence. The tunnel will undoubtedly be a money-spinner at some point. But whether under this management and for this generation of shareholders remains doubtful.

Renault

The French government's refusal to privatise Renault fully is a recipe for uncommercial meddling in the company's affairs. It reflects political sensitivities over the French car manufacturer and suggests that Renault may be managed counter to the interests of investors.

But this will not stop the forthcoming Renault issue from being a roaring success. It was always likely that the issue would be priced generously, if only to avoid the embarrassment of a flop ahead of next spring's presidential elections. So it has proved. The pricing parameters announced yesterday are below analysts' expectations, valuing the group at FFr39bn-FFr42bn rather than the forecast FFr45bn. Assuming the price is fixed at the upper end of the range, the shares will be on a multiple of some 8.5 times expected earnings for next year. This is a discount of at least 20 per cent to Peugeot. It also compares favourably with the ratings of other European car manufacturers which have not coped with recession so successfully.

The issue's likely success will be accentuated by the relatively small volume of shares allocated to institutions: 40 per cent of the total, with even that subject to e clawback from private investors. There will be a lot less demand for AGF, Bull and other French companies in the running to be privatised. But that is little consolation for institutions left scrabbling for shares in Renault.

Retail sales

The Confederation of British Industry's September retail sales figures, showing a sharp rise in the balance of shops reporting higher volumes, do little to unscramble the confused signals coming from the British high street. Although the fall in the official figures for August was widely seen as an aberration, the City was expecting a pretty flat September picture from the CBI. In recent months the CBI survey has tended to give a gloomier view than the official numbers, which are being treated with increasing caution. But those observers who justified their pessimism by arguing that the CBI is more accurate will find today's figures tricky to explain.

The CBI believes that the weak surveys in July and August were partly due to retailers misreading the price/volume mix of their sales growth. When inflation was high, retailers tended to overestimate volume growth and the CBI figures were generally better than the official numbers. During the period of heavy discounting in the summer, the illusion worked the other way. With the summer sales largely over, the September figure for volume growth looks all the more impressive. Yet even those who place most faith in the CBI figures will not get carried eway. The series has been very volatile and the average for the three months to September wes unchanged from August. Nor, given their recent poor forecasting record, will retailers' optimism ebout October be given much weight. But, if tomorrow's official figures are also better than expected, the City might start believing the leading chains' predictions of e bright Christmas.

PaineWebber/Kidder

Non-financial groups do not make good parents for investment banks. General Electric has had to admit as much hy selling most of Kidder Peabody to PaineWebber for $670m. The reason is that investment banks are unruly and sensitive children. Too firm a hand and the most talented hrokers, traders and bankers will move to rival organisations. Too lax an approach and trading operations can easily run up large losses. GE now stands condemned of the latter failing. But it is also true thet, in the past, Kidder's ability to recruit suffered from the perception that GE was excessively interventionist. Yesterday's sale is the third recent retreat hy non-financial groups from US investment banking. This year American Express cut its connection with Shearson Lehman, while last year Sears Roebuck spun off Dean Witter.

Though PaineWebber should be a better parent for Kidder than GE, the acquisition will not catapult it into the investment banking big league. Neither PaineWebber nor Kidder is large in advisory work or underwriting. Where the combined group will be a significant force is in US retail hroking, though it will still be a long way behind Merrill Lynch and Smith Barney. Even so, PaineWebber will have its work cut out to make a success of the deal. Blending the cultures of the two groups will not be easy and rivals will be circling to see if they can poach Kidder's best staff.

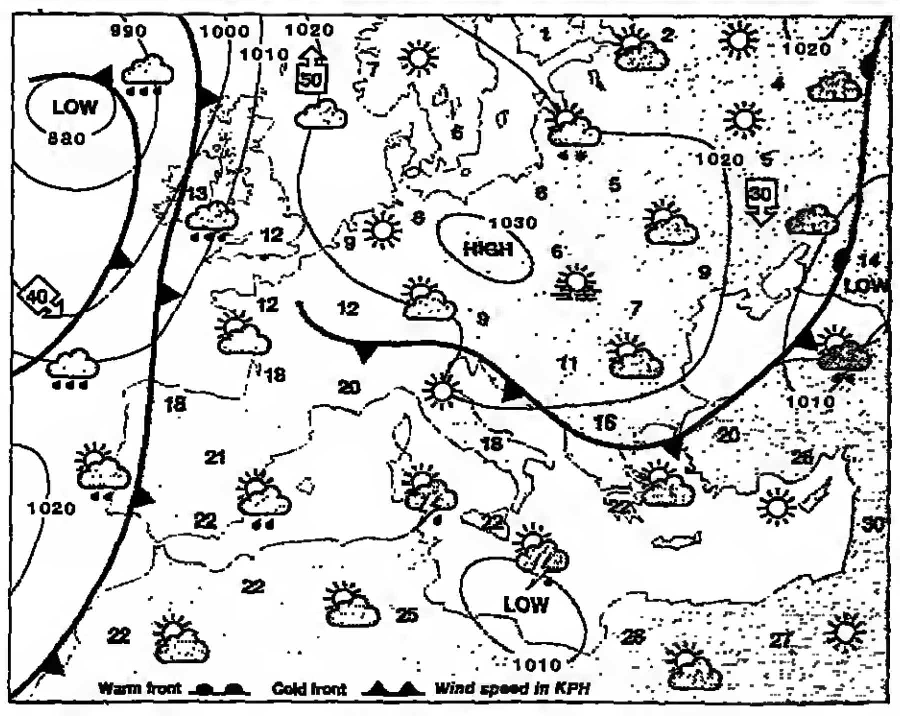
FT WEATHER GUIDE

Europe today

A strong high pressure system over Germany will give settled conditions over much of Europe. Along the northern side of the high, a north-westerly flow will direct quite cold air into Scandinavia. The north-west coast of Norway and the west coast of Finland will see a few wintry showers moving inland. Central and eastern Europe will have sunny spells and will remain dry. Ireland and western Scotland will have rain as active low pressure systems move in from the Atlantic. Other parts of the British Isles will stay dry. The Mediterranean will be rather unsettled with plenty of thunder showers over southern areas.

Five-day forecast

Central and eastern Europe will stay settled and dry as strong high pressure slowly moves into north-west Russia and extends into Scandinavia. Over the eastern Atlantic, low pressure systems will become very active and should produce quite a lot of rain and wind over the British Isles. The Mediterranean will remain unsettled with heavy rain and thunder storms at times. The Alps and south-east Europe will have plenty of rain towards the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	16	Caracas	fair	31	Faro	fair	23	Madrid	fair	21	Rangoon	fair	31
	Celsius		Belfast	windy	12	Cardiff	cloudy	12	Frankfurt	sun	11	Majorca	shower	22	Reykjavik	rain	8
Abu Dhabi	sun	35	Belgrade	fair	9	Casablanca	shower	22	Geneva	sun	15	Malta	thund	24	Rio	cloudy	25
Accra	shower	31	Berlin	fair	6	Chicago	shower	18	Gibraltar	shower	21	Manchester	fair	12	Rome	sun	22
Algiers	shower	22	Bermuda	cloudy	26	Cologne	sun	11	Glasgow	cloudy	12	Manila	shower	31	S. Frsco	sun	20
Amsterdam	fair	10	Bogota	shower	19	Dakar	fair	32	Hamburg	sun	8	Melbourne	fair	17	Seoul	fair	18
Athens	fair	22	Bombay	fair	32	Dallas	fair	27	Helsinki	fair	3	Mexico City	cloudy	24	Singapore	thund	32
Atlanta	cloudy	24	Brussels	sun	11	Delhi	sun	31	Hong Kong	shower	29	Miami	fair	29	Stockholm	sun	5
B. Aires	fair	22	Budapest	fair	9	Dubai	sun	35	Honolulu	fair	31	Milan	sun	16	Strasbourg	sun	12
B.ham	fair	11	C.hagen	fair	8	Dublin	rain	13	Istanbul	cloudy	17	Montreal	cloudy	16	Sydney	shower	22
Bangkok	shower	34	Cairo	sun	30	Dubrovnik	sun	20	Jakarta	fair	32	Moscow	fair	4	Tangier	shower	21
Barcelona	fair	19	Cape Town	cloudy	18	Edinburgh	fair	11	Jersey	fair	18	Munich	fair	9	Tel Aviv	thund	27
									Karachi	sun	35	Nairobi	fair	28	Tokyo	cloudy	22
									Kuwait	fair	36	Naples	sun	22	Toronto	cloudy	18
									L. Angeles	sun	25	Nassau	fair	30	Vancouver	fair	13
									Las Palmas	fair	26	New York	fair	18	Venice	fair	17
									Lima	cloudy	22	Nice	sun	19	Vienna	sun	7
									Lisbon	cloudy	20	Nicosia	shower	25	Warsaw	fair	5
									London	fair	12	Oslo	sun	8	Washington	fair	21
									Lux.bourg	sun	11	Paris	fair	12	Wellington	drzzl	12
									Lyon	hazy	18	Perth	fair	27	Winnipeg	rain	11
									Madeira	fair	23	Prague	sun	5	Zurich	sun	11

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 18 1994

IN BRIEF

Time Warner lessens its loss

Record operating earnings at Time Warner's publishing, music and cable-television channel businesses allowed the US entertainment group to report a net loss of $32m for the third quarter, against a $133m loss a year ago. Page 20

Line-up for Czech lines
Twelve of the world's leading telecommunications groups are fighting for a stake in SPT Telecom, the Czech Republic's telephone operator, in what could become the country's biggest foreign direct investment opportunity to date. Page 22

MCA managers discuss buy-out
Mr Lew Wasserman, veteran chairman of MCA, the Los Angeles-based entertainment group, and Mr Sidney Sheinberg, its president, are expected today to raise the subject of taking control of MCA by buying a majority stake from Matsushita, its Japanese parent. Page 23

New York switches on to nationalisation
America is perhaps the last place anyone would expect to find the public sector proposing to nationalise a stock-market quoted company. But that is precisely what the State of New York intends to do with its planned $2.5bn acquisition of the Long Island Lighting Company, a private sector electricity company. Page 23

VSEL advances
VSEL, the UK submarine maker and target of an agreed bid from British Aerospace, yesterday announced a 5 per cent rise in pre-tax profits to £30.2m ($48m) for the six months to September 30. Page 26
BAe expects its lossmaking Avro regional jet operations to break even by 1997. Page 25

Airtours: sea tours?
Airtours, the UK's second biggest holiday company, continued its voyage into the cruise market with the £35m ($55m) purchase of a second ship. Page 25

Overseas growth spurs Farnell
Farnell Electronics, the UK electronic components distributor and manufacturer, reported sharply higher interim profits and turnover, after strong overseas growth and the £41m ($65m) acquisition of the Multicomponents distribution business. Page 26

Weak prices hold back Waste Management
Weak prices held back profits growth at Waste Mangement International, the UK quoted arm of WMX Technologies of the US, which yesterday announced an 11 per cent improvement in the third-quarter. Page 26

Coffee futures rebound
Coffee futures rebounded from a sharp setback in volatile trading yesterday, affected by rainfall that has relieved a long drought in Brazil, the world's biggest producer. Page 30

German ballot reassures markets
Sunday's narrow victory for Germany'a conservative/liberal coalition was seen as a reassurance for the country's financial markets. However, the European strategy team at Merrill Lynch, the US broker, believes p/e ratios in major European equity markets could halve as they approach peak earnings. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AG Ind Verk	523	+	8
Aska Prf	760	+	15
Kaufhof	522.5	+	8.5
Falls			
Alcatel	651	-	14
KHD	123.2	-	5.8
Rhenmt Brin	270	-	14
NEW YORK ($)			
Rises			
Chem Waste	9¼	+	1½
Paine Webb	15	+	½
WMX Techs	29¼	+	½
Falls			
Cal Micro	8¼	-	5¼
Estmn Kodak	48½	-	⅞
Gen Elec	50¼	-	½

PARIS (FFr)			
Rises			
Pinault	973	+	22
Falls			
BNP	253	-	7
Saec Comp	520	-	10
Dcks France	719	-	14
GTM Entrpse	401	-	24
Ly Des Eaux	461	-	12
TOKYO (Yen)			
Rises			
Fuji Spin	513	+	13
Hanaba Pap	679	+	12
Mitsui Mng	438	+	14
Nip Lt Mtl	728	+	22
Falls			
Daikyo Inc	856	-	27
Yazaki T&B	870	-	15

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Aero Hamble	33	+	9
Airflow Stream	141	+	7
Allied Colloids	143	+	7
Antofix	65	+	3
Barr & WAT A	309	+	15
Bristol Scotts	200	+	12
Brit Aerospace	498	+	20
Cortecs	42	+	4
Friendly Hotels	163	+	8
Hammerson	343	+	13
ICI	818	+	25½
P & P	71	+	4
Platignum	15½	+	2
Senior Eng	79xd	+	8½
Waverley Mining	120	+	9
Whessoe	112	+	7
Falls			
Acorn Computer	94	-	4
Eidos	325	-	15
Eurotunnel Uts	221	-	7
Exco	179	-	15
Forward Tech	48	-	4
Highland Dist	419	-	14
McAlpine (A)	208	-	9
Ross Group	8½	-	2

PaineWebber reaps the benefits as GE's investment banking unit is pulled apart

Age no barrier to Kidder's fall

By Richard Waters in New York

E.F. Hutton, Drexel Burnham Lambert, Shearson... and now Kidder Peabody.

The list of famous names that have become casualties in the US stockbroking and investment banking industry gained another entry yesterday. The 128-year-old Wall Street firm, battered by scandal and tumbling bond markets this year, is to be dismantled, and up to 2,000 of its staff laid off.

Many aspects of the deal, agreed in principle on Sunday, have to be sorted out. However, the broad outline is clear.

The General Electric unit will be split for PaineWebber to pick over, allowing PaineWebber to expand in a number of areas – without having to take on any of Kidder's operations it does not want. "GE is indemnifying us against all the liabilities of Kidder," saya Mr Donald Marron, PaineWebber's chairman. "GE is paying for all the down-sizing."

PaineWebber, whose 5,000-strong retail broking force puts it among the ranks of mid-sized brokars, is effectively raising $580m of new capital through tha transaction, the amount of Kidder's liquid net assets that will transfered, and it will expand its equity capital base, which currently stands at $1.2bn.

In return, it welcomes a substantial minority shareholder in the shape of GE, which will have a seat on PaineWebber'a board. Net of the additional capital it acquires through the transaction, PaineWebber is paying GE $90m for the Kidder businesses it chooses.

Chief among the assets on PaineWebber's target list is Kidder's retail salesforce – 1,150 brokers around the country who are among the most productive in the US. Between them, these brokers generate about $500m in commissions and fees a year. Their average of $425,000 each is well ahead of PaineWebber's estimated $300,000 average.

The problem for PaineWebber – other than the question of how it merges this network of brokers with its own, bigger salesforce – is that every other retail stockbroker of size in the US is likely to attempt to lure away Kidder's most productive offices.

"There is bound to be scepticism regarding PaineWebber'a ability to pull it off," says Mr Michael Flanagan, a securities industry analyst at Lipper Analytical.

If the firm succeeds in retaining all of Kidder's brokers, it will cement its position as the fourth-biggest US retail brokerage network. It will continue to be dwarfed, however, by the giants of the industry – Merrill Lynch and Smith Barney, owned by Travelers.

US retail stockbrokers

	No of retail brokers
Merrill Lynch	12,170
Smith Barney	11,179
Dean Witter Discover	7,315
PaineWebber/Kidder*	8,718
Prudential Securities	5,363
AG Edwards	5,048
Charles Schwab	3,602

As at end of 1993 Based on brokers of each firm
Source: Securities Industry Association

'There is bound to be scepticism regarding PaineWebber's ability to pull it off'

On PaineWebber's immediate target list are Kidder'a investment management activities. Assets under discretionary management in this part of the business amount to $9bn, compared with some $37bn at PaineWebber, says Mr Marron.

The firm will also take over Kidder's equity research group; Kidder's mortgage business; and parts of its investment banking and trading operations.

It is these areas that raise the biggest questions. Kidder, under former chairman Mr Michael Carpenter, had turned itself into a big fixed-income trading house, with balance sheet with assets of more than $100bn. PaineWebber, by contrast, has assets of little more than $30bn and a less leveraged balance sheet.

While Mr Marron talked yesterday about acquiring parts of Kidder's fixed income trading businesaes – including those in London, where the firm's bond operations provide no overlap with Kidder's US operation – he was studiously vague about what this would involve.

Of particular interest to Wall Street is the fate of Kidder's mortgage-backed bonds business, the biggest of its kind and the operation which in recent years has provided the bulk of the firm's profits.

GE ten days ago said it would transfer Kidder's mortgage-backed bond portfolio to another part of the group, while leaving Mr Michael Vranos, the highly-regarded head of trading, at Kidder.

While Mr Marron said be would talk to Mr Vranos and his team, the betting on Wall Street yesterday was that a securities house with a stomach for large and complex trading positions was a more likely bome.

For General Electric, meanwhile, yesterday's announcement marks an ignominious end to its eight-year involvement with Kidder – though the industrial giant was at pains to point out that it has a substantial continuing interest in the securities industry through its stake in PaineWebber.

"Over the long term, they don't want to be in this business," says Mr Michael Bunyaner, an analyst who follows GE at Oppenheimer in New York.

"They want to let someone else who knows the industry manage it." But GE may not rush to sell off its stake, he adds: it has a similar substantial minority stake in the defence group Martin Marietta, demonstrating that it is content to remain a minority partner over the long term.

Lex, Page 18

Painful transition continues at Unisys

By Louise Kehoe in San Francisco

Third-quarter earnings at Unisys dropped sharply as the US computer group continued a painful transition from mainframe computers to information services.

Net incoma for the third quarter was $42.9m, or 8 cents per share, compared with net income of $84.1m or 29 cents per share in the same period last year. Excluding a one-time favourable tax item of 9 cents a year ago, earnings were 20 cents per share. The earnings were in line with Wall Street expectations.

Revenues continued to decline, but more slowly than in recent quarters. Revenue for the quarter was $1.79bn, from $1.81bn in the third quarter last year.

Unisys said results had been bit by declining government business, a continuing abift away from high-margin proprietary systems and an increase in sales expenses.

It reported, however, strong growth in information services. "Revenue from information services, our strongest business, grew 23 per cent in the quarter and 22 per cent over the past nine months," said Mr James Unruh, chairman and chief executive.

He added: "We are continuing to invest in this growth business which is leading our information management thrust. Information services is now our single largest business revenue stream with 25 per cent of total revenue." He said the transformation of Unisys was on track, despite declining earnings.

Unisys returned to profitability in 1992 after three years of heavy losses. Revennes, however, have continued to decline.

Mr Unruh said Unisys aimed to grow by expanding services and systems integration, as well as sales of servers and desktop computers while maintaining its more mature, higher margin mainframe business.

He was encouraged by a strong increase in European orders and revenue. This contrasts with the previous quarter wben weak European sales dragged down performance.

Revenue for the first nine months was $5.28bn ($5.64bn). Net income was $152.8m or 36 cents per share. The nine months included a charge of $7.7m for costs associated with repurchase of debt. In the 1993 period, net income was $447.7m or $1.83 per share including a net gain from accounting changes and an extraordinary item of $203.8m.

After sales fall, Roche cuts jobs and makes provision

By Ian Rodger in Zurich

Sales of Roche, the Basle-based healthcare and fine chemicals group, continued to deteriorate in the third quarter, falling 4.7 per cent to SFr3.4bn ($2.63bn).

Roche, which is in the process of completing a $5.3bn acquisition of the US pharmaceuticals group Syntex, also announced yesterday that it would make a SFr230m provision against this year's pre-tax profit for the restructuring of its drugs division. Some 5,000 jobs would be eliminated, mainly in the US, during the next few months.

Roche, however, said it still expected 1994 net income "to show a further rise" over last year's SFr2.48bn.

The rise of the Swiss franc continued to dampan revenues. Expressed in local currencies, total sales in the nine months to September 30 were up by 6 per cent. In Swiss franc terms, they were flat at SFr10.7bn.

The group said it had "felt the impact" of health cost containment measures taken by governments in several countries. Sales in the drugs division, which turned downward in the second quarter, fell 4.3 per cent in the third quarter to SFr1.85bn.

It said pharmaceutical sales in local currencies grew significantly faster than the average for its sector in most leading countries, thanks to its strong position in the hospital market.

The vitamins and fine chemicals division achieved a volume increase in spite of competition from low-cost suppliers from the far east. The division's sales eased 7 per cent in the third quarter to SFr780m.

Sales in the diagnostics division were off 10.8 per cent in the third qnarter to SFr360m, reflecting closure of some unprofitable laboratories and changes in customer payment policies.

Two new applications of Roche's polymerase chain reaction technology, for detecting the hepatitis C virus and mycobacterium tuberculosis, have been well received.

The flavours and fragrances division bucked the group trend, achieving a 4.7 per cent rise in third-quarter sales to SFr375m. The group cited strong flavours sales in the US and a general recovery of fragrance sales.

The Syntex takeover is to be approved at a Syntex extraordinary general meeting on October 28. Roche said preparations for eliminating duplication of effort were well underway. It said about 5,000 jobs from both the Roche and Syntex groups, mainly in the US, would be lost.

Roche, which has claimed the acquisition of Syntex would cause no earnings dilution, said the restructuring would have been undertaken even without Syntex because of changing market conditions.

Famous Grouse may flutter into new fields

Stewart Cunningham

One in the eye: Brian Ivory, chief executive of Highland Distilleries, announced a 10 per cent profits rise and hinted at diversification. "We see ourselves as a premium spirits company," he said. "If there are opportunities in other spirits, we wouldn't say 'no'." Details, Page 25

Eurotunnel warns of lower revenue and outlines fares

By Charles Batchelor and Tim Burt in London

Eurotunnel, the Channel tunnel operator, has been hit harder than expected by delays to the start of rail services.

It said yesterday it expected its revenues for 1994 to be only a quarter of the £135m ($213m) figure which it was predicting as recently as May, at the time of its £858m rights issue. Analysts in London had predicted rsvenues might be cut to £90m-£100m. Eurotunnel shares fell 7p to 221p.

Eurotunnel faces tough negotiations with its bankers when it starts to draw down its loans early next year. But it expects they will continue to provide backing, according to Sir Alastair Morton, co-chairman.

Analysts expressed surprise at the revenue shortfall and predicted the group would fail to meet its banking covenants next year. Mr Richard Hannah of UBS Securities said: "To miss first-year forecasts by this kind of margin is upsetting to say the least. One wonders how accurate their future figures will be."

But Eurotunnel's main lenders said they remained supportive and were unlikely to force a cash crisis in the spring ahead of the peak holiday season. One leading bank lender, however, said: "All we can do at this stage is sit and pray".

Sir Alastair commented: "We have had a grim and very hard nine months and we have not delivered all the expectations in our [rights issue] prospectus. But we believe were are getting into a position of delivering the goods."

Eurotunnel announced yesterday that high-speed Eurostar services through the tunnel would start on November 14. This represents the final stage in the introduction of passenger and freight services and will bring the tunnel into direct competition with the airlines on short-haul routes.

Eurostar fares for London-Paris will range from £95 return, provided a booking is made 14 days in advance, up to £195 for first class travel inclnding a hot, three-course meal for an initial "discovery" period lasting until next spring.

Eurotunnel reported a £47m loss in the first six months of the year, most of it resulting from interest and financing charges and with a contribution of only £2m from the limited freight services which began in late May.

But tight control on costs and savings made because services were started late had meant cash flow was £3m better than was expected at the time of the rights prospectus. Eurotunnel expects that by the end of 1994 its cash position will be £50m worse than planned.

In spite of these setbacks, "there is no actual or potential breach of our loan covenants let alone a default," said Mr Graham Corbett, chief financial officer "These estimates could pose technical problems when we draw down our bank loans but this situation is quite familiar to us and our bankers."

Sir Alastair denied there was any need for another cash call. "No way will there be another rights issue", he said. "We don't need one. Our way forward is with our banks and with our warrant holders later." Eurotunnel expects to raise £200m if warrant holders exercise their rights.

Cross-channel fares, Page 8;
Lex, Page 18

INTERNATIONAL COMPANIES AND FINANCE

Time Warner trims losses in third period to $32m

By Patrick Harverson in New York

Record operating earnings at Time Warner's publishing, music and cable-television channel businesses allowed the US entertainment group to report a net loss of $32m for the third quarter, sharply reduced from the $133m loss incurred a year ago.

During the quarter, combined earnings before interest, taxes, depreciation and amortisation (Ebitda) for the group and its Time Warner Entertainment subsidiary (which reports operating results on a deconsolidated basis) reached $747m on revenues of $4.1bn, compared with Ebitda of $726m on revenues of $3.7bn a year ago.

The group, which was left with a heavy debt and depreciation burden following the 1989 merger between Time and Warner, likes to focus Wall Street's attention on Ebitda as a measure of its underlying performance.

Time Warner's music division posted the best results, of the quarter, with Ebitda of $172m compared with $132m a year earlier. Worldwide record sales and music publishing revenues were both significantly higher, with Warner Music artists such as Eric Clapton and REM releasing best-selling albums during the period.

The group's publishing division also notched up record earnings from continuing operations, with Ebitda rising 20 per cent to $78m. Gains in magazine circulation and advertising and increased revenues from the book unit were behind the improvement.

Although the group's HBO television cable channel reported record Ebitda of $66m, up 16 per cent from 1993, Time Warner's filmed entertainment division saw the figure fall to $189m from $204m a year ago.

The group said the comparison over the year was unfavourable primarily because the division produced exceptionally strong earnings in the third quarter of 1993.

Once again, earnings from cable operations declined, with Ebitda falling to $242m from $268m a year ago in response to the reduction in cable television charges imposed by Congress last year. However, Mr Gerald Levin, Time Warner chairman, said that the worst effects of the government-mandated rate regulation were over.

Valeo in $80m US purchase

By John Ridding in Paris

Valeo, the French vehicle components group, yesterday took a further step in the expansion of its North American operations, announcing that it is to buy Lake Center Industries (LCI), a US supplier of electronic and mechanical equipment, for $80m.

The French company said the acquisition would strengthen its position with North American vehicle manufacturers, in particular Chrysler, General Motors and Ford.

LCI's main product lines include control panels for heating and air conditioning systems, switches and electronic assemblies. Its annual revenues amount to $110m and are expected to reach $140m in 1995. The company, a subsidiary of Guy Atkinson, has six manufacturing plants in Minnesota and Wisconsin, with a workforce of 1,380.

The US company will become a division of Valeo Electronics, and should push sales for this sector of Valeo's operations to FFr2.2bn ($410m) in 1995.

Turnover for Valeo as a whole is expected to reach FFr22.5bn this year, with more than FFr3bn coming from North America. Its principal products include cooling systems, clutches, heating and air conditioning systems and windscreen wiper equipment.

Valeo said it would pay for the acquisition in cash. Following the purchase of Borg Instruments of Germany, and majority stakes in joint ventures in Argentina and China, Valeo said its total financial investments for the year should total about FFr850m.

The company added that strong cash flow should enable it to reduce its debt to equity ratio to below 10 per cent at the end of the year, compared with 14 per cent at the end of 1993.

Paribas buys rest of Luxembourg units' shares

By Andrew Jack in Paris

Paribas, one of France's leading banks, yesterday announced the purchase of all outstanding shares in two Luxembourg financial companies in which it had long held strategic stakes.

The purchase came in an agreement signed with Groupe Général Mediterranean Holding-Compagnie Internationale de Participations Bancaires et Financières (GMH-CIPAF), the holder of the remaining shares.

The bank bought the remaining 20 per cent of shares in Banque Paribas Luxembourg, which was created in 1964 and separated from Paribas at the time of its nationalisation by the French government in 1982.

It also bought the remaining 50 per cent of outstanding shares in Banque Continentale du Luxembourg, which had developed links with Paribas and GMH-CIPAF since 1982.

Both sides declined to reveal the price. Banque Continentale du Luxembourg last year reported net assets of FFr473m and net profits of FFr50m ($9.45m), while Banque Paribas Luxembourg had assets of FFr880m and profits of FFr150m in 1993.

Motors venture for Norwegian groups

Two state-owned Norwegian groups are joining forces in the aluminium automotive components business, writes Kenneth Gooding in London.

Raufoss, the munitions, metals and automotive components company, and Hydro Aluminium, part of Norsk Hydro, the country's biggest industrial group, will set up Raufoss Automotive to develop, manufacture and market these components.

Parts of their research activities related to aluminium in cars will also be included in the joint company which will have Hydro as a "substantial" minority shareholder.

Ferfin opts for simplification

The Italian group still has many debts to clear, writes Andrew Hill

What has been described as the largest out-of-court financial restructuring in corporate history is almost one year old.

In October last year, Ferruzzi Finanziaria (Ferfin), the Italian financial holding company, and its industrial subsidiary Montedison proposed a radical programme of disposals, capital raising and debt-for-equity exchanges to sceptical bankers.

The company had been brought close to collapse by alleged mismanagement, and was groaning under a burden of debt estimated at L30,000bn ($19.35bn). Although the threatened alternative was bankruptcy for Italy's second largest private industrial group, some foreign banks held out for better terms until the end of November, when the plan was finally agreed.

Since then, Ferfin and Montedison, 30.5 per cent of which is owned by the financial holding company, have moved quickly to reduce debt and make the promised disposals. Yesterday, Mr Guido Rossi and Mr Enrico Bondi, who took over last year as, respectively, chairman and managing director of the two companies, expressed themselves satisfied with the progress of the plan at a shareholders' meeting called to simplify still further the sprawling structure of the group.

But the Ferruzzi-Montedison group is still less than halfway towards the target of L7,000bn which it wants to raise from asset sales and debt transfers by the end of 1997. Although the group continues to work on restructuring all its subsidiaries, many of the most difficult disposals still have to be made.

FERRUZZI FINANZIARIA AND MONTEDISON PRINCIPAL ASSETS – SOLD OR FOR SALE

Alerion Bank (banking, US)	sold	July 1993, $47m †
Nikols (insurance broking)	sold	June 1994, price unspecified
Fermar (shipbuilding)	sold	October 1994, L225bn
Calcestruzzi (concrete) *		
Tренno (property) *		
Il Messaggero (newspaper)		
Telemontecarlo (television)		
IMH (marine equipment)		
Intermarine (shipbuilding)		
Tencara (advanced materials)		

* indicates quoted companies †Alerion Bank was sold before the formal restructuring programme was agreed in November 1993

Asset sales have raised more than L2,300bn, in cash and debt transfers, with the disposal last week of Fermar, the group's shipbuilding subsidiary. In the first six months of this year, Ferfin cut its borrowings by nearly 30 per cent to L15,768bn.

The sale of Fermar to fellow Italian shipbuilder Gruppo Coeclerici was the biggest disposal so far. Coeclerici is to buy Fermar for L225bn, of which L62.5bn plus interest will be paid in three years, and the disposal will reduce Ferfin's debt by a further L320bn.

The group has disposed of its stakes in other quoted companies, including Gemina, the insurance company, Mediobanca, the merchant bank which masterminded the rescue plan, and Parmalat, the foods group. It has also sold or closed many small trading and agro-foods subsidiaries, disposed of substantial property interests, and even auctioned off paintings, furniture and ornaments bought by the previous management.

Ferfin wants to slim until it controls only its 30 per cent stake in Montedison, which is active in the energy, chemicals and agro-industrial sectors, and its 34 per cent direct and indirect investment in Fondiarie, the insurance company.

Mr Bondi said yesterday that the disposal programme was on schedule, and that prices were in line with internal forecasts "down to the last lira". This is heartening news for a company which last year – under previous management – had to admit that it had discovered a L435bn hole in its 1992 accounts, triggering a series of judicial and financial investigations which are continuing.

The test will come with the larger disposals which lie ahead. For example, Ferfin still controls a majority stake in Calcestruzzi, the quoted concrete and building materials group, which has been hard hit by the downturn in the Italian construction and public works sector. Mr Giampiero Pesenti, who heads Italcementi, Italy's biggest cement group, may want to increase his own minority interest in Calcestruzzi, but such a move would raise anti-trust problems and risk prompting a full bid for the concrete group.

Ferfin also controls holdings which reflect the interests of its discredited founder, Mr Raul Gardini, who killed himself last year, and Mr Carlo Sama, the former managing director. They include the ailing Roma newspaper, Il Messaggero, and the private television channel Telemontecarlo, as well as International Marine Holdings, a manufacture of yachting and nautical equipment, Intermarine Shipbuilding, which makes minehunters, and the company which worked on building the hulls for Mr Gardini's ill-fated bid to win sailing's America's Cup.

Ferfin and Montedison undoubtedly hope that creditors – now among their largest shareholders following the conversion of debt into equity last year – will not put undue pressure on the group to accelerate the programme, a move which might sacrifice the benefits already achieved.

At least the signs are encouraging. Yesterday, Montedison shareholders heard that the group had consolidated the last L345bn of its debt at favourable rates, which will save the company a further L18bn of financial charges every year, and voted in favour of absorbing Finanziaria Agroindustriale, the quoted vehicle for shares in Eridania Béghin-Say, Montedison's agro-industrial subsidiary.

It may not sound like much, but for Mr Bondi and Mr Rossi, who inherited a group structure consisting of 1,800 companies, many of them dormant investment vehicles, it must seem like a small step in the right direction.

Drug companies face lawsuits in US

By Daniel Green

Twenty-nine of the world's largest drug companies are likely to face US federal lawsuits from pharmacy groups alleging price discrimination and anti-trust violation.

The Georgia Pharmacy Association said yesterday it and other groups representing 1,346 independent pharmacies in 15 states would file separate federal lawsuits against 29 drug companies. Target companies include Merck-Medco of the US and the UK's Glaxo, the world's two biggest drug companies.

The lawsuits are the latest moves in a campaign by pharmacies against drug makers. It includes lobbying Washington to staunch the flow of corporate and commercial drug company deals with healthcare intermediaries called health management organisations (HMOs) and pharmacy benefit managers (PBMs).

Pharmacists accuse drug makers of offering better deals to the intermediaries even if pharmacy chains are buying in greater bulk and should qualify for greater discounts.

Pharmacists' groups have been pressing the Federal Trade Commission over the planned $4bn purchase by US drug company Eli Lilly of PCS, a pharmacy benefit manager.

Exco shares tumble 8% as chief executive resigns

By Christopher Price in London

Exco, the money broker that came to the London market 11 weeks ago, yesterday announced the resignation of its chief executive.

Its shares fell 15p, or 8 per cent, on the announcement to close in London at 179p, slightly above their flotation price of 175p.

Mr Ron Sandler, 42, will leave the group at the end of the year. Exco said yesterday: "Since the flotation, differences in management style have developed which the board felt could become damaging to the business."

Mr Sandler, who joined Exco in April 1993, was on a 12-month contract and will leave with a year's salary of £297,000 ($469,260).

However, his 480,000 share options, potentially worth £500,000, and at the discretion of the board, will not be granted.

Mr Peter Edge, 36, Exco director of global money markets, who has been with the group since 1980, will take over.

Mr Sandler joined Exco from a management consultancy to guide the money broker to the market. Institutional investors had taken a majority stake in the group the previous year from the administrators of the failed financial services group British & Commonwealth Holdings. The share issue was 3.2 times oversubscribed, valuing Exco at £220m. The shares went to 14 per cent premium on the first day's trading, and reached a high of 211p on August 15.

Neither Mr Sandler nor any other member of the Exco board were available for comment.

Presidenza del Consiglio dei Ministri
Regione autonoma della Sardegna — Provincia di Cagliari
Comune di Carbonia — Comune di Gonnesa — Comune di Portoscuso

Concession for the operation of the Sulcis coal mine and the construction and operation of an associated coal gasification heat and power plant

Notice of Tender

The Office of the Prime Minister of the Republic of Italy, the Regional Government of Sardinia, the Province of Cagliari, the Municipality of Carbonia, the Municipality of Gonnesa, and the Municipality of Portoscuso, jointly acting as the Concedant Authority, are seeking to award. In accordance with the Decree of the President of the Republic of Italy dated January 28, 1994 (as amended by the Decree of the President of the Republic of Italy dated June 9, 1994) published in the Official Journal of the Republic of Italy on March 9, 1994, a comprehensive concession for the completion, operation and maintenance of the Sulcis coal mine and the design, construction, operation and maintenance of an associated coal gasification heat and power plant to be built in the Sulcis-Iglesiente area.

The selection process will be performed in accordance with the Council Directive 93/37/EEC, the Council Decision 93/323/EEC and the Legislative Decree of the Republic of Italy 406/91. The concession, to be run in accordance with the specific rules provided by Appendix A to the Decree of the President of the Republic of Italy dated January 28, 1994, will be awarded by *licitazione privata* (i.e. restricted procedure), pursuant to Art.8 of the Legislative Decree of the Italian Republic 406/91.

The life of the concession will be thirty years. The procedure will be open to bidders from both EU and non-EU countries. The concessionary will run the Sulcis coal mine and will build, own and operate an associated coal gasification heat and power plant, with net capacity ranging from 350 MW to 450 MW. The mining concession and the existing mining equipment of Carbosulcis SpA will be transferred free of charge to the concessionary. Power from the new plant will be purchased by ENEL SpA under a long term power purchase agreement.

The concession will be awarded on the basis of the maximum discount offered on the electricity selling price during the first eight years of operation, in accordance with the specifications set out in the contract documents which will be made available to the candidates invited to tender. The base electricity selling price for the first eight years will be ITL 160/Kwh. For the remaining period of the concession's life the electricity selling price will be determined as set out by Resolution CIP n.6/92 for coal fired power plants. The full price of ITL 160/Kwh will be conditional on the use of a quantity of Sulcis coal corresponding to at least 50% of the total heat value fuelled each year to the gasification plant.

A Steering Committee including representatives of the Concedant Authority and ENEL SpA, and headquartered at the Office of the President of the Regional Government of Sardinia, will be responsible for the awarding of the concession and for acting as the Contracting Authority. IMI - Istituto Mobiliare Italiano SpA will be advising the Steering Committee on the development of the tender procedure, the award of the concession and the structuring of the contractual documents.

Companies with relevant expertise in the activities related to the subject matter of the concession and having the availability of coal gasification technology they would intend to use, are invited to express their interest by means of a request to participate. Also joint enterprises set up and represented in accordance with Art.22 of the Legislative Decree of the Republic of Italy 406/91, are allowed to apply. The Pre-qualification Information Document setting out further information on the concession, the procedure for pre-qualification and the personal, financial and technical conditions to be fulfilled by the candidates, is available at the following address:

Comitato di Coordinamento
c/o Presidenza della Giunta della Regione Autonoma Sardegna
Viale Trento 69, Cagliari - ITALIA
Tel. (39 70) 6062223 - 6062406
Fax. (39 70) 6062454 TELEX 790344 PREGIR I

Requests to participate, written in the Italian language, must be sent by registered mail by December 2, 1994. Candidates are also required to promptly confirm by telegram, telefax or telex that requests have been mailed.

This Notice of Tender was sent on October 10, 1994 to the office for Official Publications of the European Community for the publication in the Official Journal of the European Community and in the TED data bank. The original Italian text is the authentic version.

NOTICE OF MEETING OF HOLDERS OF 7% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1999 OF RIEDEL ENVIRONMENTAL TECHNOLOGIES, INC. TO BE HELD ON November 9, 1994

PLEASE TAKE NOTICE that a meeting of the holders (the "Holders") of 7% Convertible Subordinated Debentures due 1999 (the "Debentures") of Riedel Environmental Technologies, Inc. (the "Company") will be held at the offices of Chemical Bank, 450 West 33rd Street, 15th Floor, New York, New York, on November 9, 1994 at 10.00 am, Eastern Standard Time. Terms used in the Terms and Conditions of the Debentures have the same meaning in this notice.

The purpose of this meeting is to obtain the consent of the Holders to a waiver of the requirements of Section 6(a) of the Terms and Conditions to allow the Company to sell all the outstanding shares of Riedel Environmental Services, Inc. ("RES") to Canonie Environmental Services Corp. ("Canonie"). The sale involves substantially all of the assets of the Company. Section 6(a) imposes restrictions on the Company's ability to sell all or substantially all its assets.

Any such waiver of Section 6(a) will be conclusive and binding on all Holders, whether or not they have given their consent or were present at the meeting of the Holders, and on all holders of coupons whether or not notation of such amendments is made on the Debentures.

Chemical Bank as the Fiscal Agent under the Debentures is entitled to make such reasonable regulations for the meeting of Holders that it deems advisable in addition to those set forth in the Terms and Conditions. The Fiscal Agent has established the following regulations for the purpose of determining who shall be entitled to vote at such meeting or any adjournment thereof.

1. The holding of Registered Debentures shall be proved by the registry books maintained in accordance with that certain Fiscal Agency Agreement dated as of October 11, 1989 by and between the Company and Chemical Bank or by a certificate or certificates of the Fiscal Agent in its capacity as the Company's agent for the maintenance of such books.

2. The holding of Bearer Debentures may be proved by the production of the Bearer Debentures at the meeting. In addition, holders of voting certificates and proxies named in a block voting instruction with respect to Bearer Debentures may vote at the meeting.

3. Accountholders of Euroclear and Cedel to whom Debentures are credited in the relevant clearing system should notify the relevant clearing system to inform the Fiscal Agent no later than 48 hours before the scheduled time for the meeting of the number of votes to be cast for and against the resolution.

4. If a Debentureholder wishes the Fiscal Agent to appoint a proxy to vote on his behalf at the meeting, he must deposit his Debentures with Chemical Bank (London) no later than 48 hours before the scheduled time of the meeting, specifying whether the vote(s) attributable to such Debentures should be cast for or against the waiver. Chemical Bank (London) will then issue a block voting instruction to a proxy of its choice, instructing such proxy to cast such vote(s) in the specified manner.

5. Written instruments appointing proxies, regular on their face, are presumed valid and genuine.

Copies of the proxy statement mailed to shareholders of the Company containing information regarding the proposed sale by the Company of all of the outstanding shares of stock of RES to Canonie, reasons for such sale, terms of the proposed sale and other information regarding the Company may be obtained from William Cox, Vice President and General Counsel of the Company at 4611 North Channel Avenue, Portland, Oregon 97217; phone (503) 286-4656; facsimile (503) 283-2602.

Dated 18 October 1994.

£100,000,000
BRADFORD & BINGLEY
Floating Rate Notes Due 1998

Interest Rate	6⅞% per annum
Interest Period	13th October 1994 – 13th January 1995
Interest Amount per £10,000 Note due 13th January 1995	£182.81

CS First Boston Agent

NOTICE OF INTEREST RATE

To the Holders of Banco Central do Brasil New Money Bonds Due in 1999

In accordance with the provisions of the Bonds, notice is hereby given that the above Bonds will bear interest for the 183 day Interest Period from October 17, 1994 to April 18, 1995, at a rate per annum of 6 11/16% as calculated in accordance with the terms of the above Bonds.

BANCO CENTRAL DO BRASIL, Issuer

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 18.10.94: Pool purchase price £/MWh	Final Prices for trading on 20.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.05	9.92	9.92
0100	9.21	9.92	9.92
0130	16.21	9.95	9.95
0200	15.88	11.23	13.90
0230	16.21	11.23	13.90
0300	16.21	11.23	13.90
0330	16.21	11.23	13.90
0400	16.21	11.23	13.90
0430	16.21	11.23	13.80
0500	15.88	11.23	13.80
0530	8.40	9.94	9.94
0600	16.50	9.95	9.35
0630	15.96	13.10	15.76
0700	19.08	18.31	19.04
0730	19.75	16.65	18.32
0800	34.51	16.69	19.37
0830	36.10	16.75	19.44
0900	35.85	16.85	19.58
0930	33.88	17.24	19.39
1000	34.02	17.29	20.08
1030	34.01	17.32	20.09
1100	34.00	17.36	20.14
1130	34.18	17.49	20.31
1200	34.34	20.28	23.13
1230	36.66	20.23	23.07
1300	32.06	20.07	22.87
1330	29.62	19.85	22.59
1400	24.83	19.76	22.48
1430	24.56	17.06	19.76
1500	24.53	19.71	22.41
1530	24.67	19.73	22.43
1600	24.78	19.87	22.61
1630	25.49	20.20	23.05
1700	31.33	20.83	23.73
1730	32.08	26.71	29.57
1800	34.07	19.97	22.74
1830	53.92	16.73	19.42
1900	57.69	16.70	19.37
1930	55.33	16.71	19.40
2000	34.27	44.30	46.99
2030	40.31	44.29	46.97
2100	24.46	44.26	46.84
2130	21.44	16.88	19.33
2200	19.75	16.88	19.33
2230	19.06	16.46	19.12
2300	19.06	16.48	19.12
2330	18.83	14.10	18.77
2400	19.50	12.97	15.63

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.50/MWh becomes 1.650p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0532-456780 between 8.30am and 5.15pm Monday to Friday.
©Energy Settlements and Information Services Limited

CREDIT LOCAL DE FRANCE
FRF 750,000,000
REVERSE FLOATER BONDS DUE 2000
ISIN CODE XS0043078954
For the period October 14, 1994 to April 14, 1995 the new rate has been fixed at 7.73003 % P.A.
Next payment date: April 14, 1995
Coupon nr: 3
Amount:
FRF 386,50 for the denomination of FRF 10 000
FRF 3865,02 for the denomination of FRF 100 000
THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE PARIS GROUP
15, Avenue Emile Reuter
Luxembourg

CRÉDIT NATIONAL
US$100,000,000
Subordinated collared floating rate notes 2005

For the period 18 October 1994 to 18 April 1995 the notes will bear interest at 5.625% per annum. Interest payable on 18 April 1995 will amount to US$28.44 per US$1,000, US$284.38 per US$10,000 and US$7,109.38 per US$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

acff
l'auxiliaire du crédit foncier de france
U.S. $200,000,000
Subordinated Floating Rate Notes due October 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 17th April, 1995 has been fixed at 5.75% per annum. The interest accruing for such six month period will be U.S. $29.07 per U.S. $1,000 Bearer Note, and U.S. $290.69 per U.S. $10,000 Bearer Note and U.S. $2,906.94 per U.S. $100,000 Bearer Note on 17th April, 1995 against presentation of Coupon No. 5.

Union Bank of Switzerland
London Branch Agent Bank
13th October, 1994

Notice of Interest Rates
To the Holders of
The United Mexican States
Collateralized Floating Rate Bonds Due 2019

NOTICE IS HEREBY GIVEN that the interest rates covering the interest period from October 17, 1994 to April 19, 1995 are detailed below:

Series Designation	Rate	Interest Amount	Interest Payment Date
USD Discount Series A	6.6875 Pct. P.A.	USD 33.00 Per USD 1,000	April 18,1995
DOU Discount Series	6.1875 Pct. P.A.	DFL 62.91 Per DFL 2,000	April 18,1995

October 17, 1994 — CITIBANK, N.A., Agent

ORIX IRELAND FINANCE PLC
YEN 20,000, 000, 000. FIXED AND FLOATING RATE GUARANTEED NOTES DUE 1995

Notice is hereby given that for the interest period from 18th October 1994 to 18th April 1995, the rate of interest will be 2.79688% per annum. The interest payable on the 18th April 1995 will be Yen 141,398 per each yen 10,000,000. Note

Agent Bank:
The Mitsui Trust and Banking Co., Ltd., London

Contenders fight it out for Czech prize

Part-sale of SPT Telecom may be biggest foreign investment to date, writes **Vincent Boland**

Twelve of the world's leading telecommunications groups are fighting for a 27 per cent stake in SPT Telecom, the Czech Republic's telephone operator, in what could become the country's biggest one-off foreign investment opportunity to date.

Competition for the stake – valued at between $700m and $1bn – is likely to be fierce. If the price reaches the higher end of expectations it will outstrip Volkswagen's DM1.4bn ($900m), five-year purchase of 70 per cent of Skoda Automobile as the largest foreign investment yet in the country.

"This is the big one, the one everybody has been waiting for," says a merchant banker advising one of the bidding companies.

The 12 companies must make preliminary bids by mid-December. Those that most fully meet the government's two main criteria – price and operational experience – will go through to a second round, with final offers due to be tabled next February. The winner will be known by March 1.

The bidders are American Telephone & Telegraph, Ameritech International, Bell Atlantic, Southwestern Bell International Development, GTE Telephone, Deutsche Telekom, France Télécom, Telecom Denmark, PTT Telecom Netherlands, Stet International, Swiss Telecom and Korea Telecom.

Analysts say the successful bid is likely to come from a consortium consisting of a private US operator and a wholly or partly state-owned European group. The selection of the 12 companies on October 6 has led to a hectic round of negotiations as they attempt to join forces to bid for the stake.

A precedent for the sale is last December's sale for $875m of a 30 per cent stake in Matav, the Hungarian equivalent of SPT, to a consortium of Deutsche Telekom and Ameritech. The Matav sale is the biggest telecommunications investment in central Europe to date.

In that sale, the proceeds were split between the company and the exchequer. But SPT will receive the entire proceeds, to help it finance a Kcs130bn ($4.7bn) modernisation programme through to the end of the decade.

The programme aims to increase the number of lines from 20 to 35 per 100 people by 1998. The present density is one of the lowest in Europe, although higher than Hungary and Poland. The average in western Europe is roughly one line for every two people. "Demand and supply should balance by 1998," says Mr Jiří Makovec, SPT general director.

Key elements of modernisation will be to replace outdated analog equipment with digital technology and the construction of 168 digital host exchanges by 1998.

The Czech government has laid down strict rules for bids from consortiums. It insists that a bidder be "a clearly defined entity" with a transparent ownership structure consisting of "experienced operators". It must also speak with one voice. "I will only deal with one person or one company at a time," warns Mr Karel Dyba, the Czech economy minister whose department is co-ordinating the tender.

Already, speculation in Prague suggests that three of the 12 companies – France Télécom, Bell Atlantic and PTT Telecom – are emerging as favourites for the SPT investment. France Télécom has been providing technical assistance to the Czech company for several years, while Bell Atlantic is a partner, along with US West and SPT, in the EuroTel consortium established in 1990 to provide mobile telephone services in the Czech Republic.

PTT Telecom, the Dutch operator which was partly privatised earlier this year, has a consultancy and technology joint venture with SPT, and has experience in Hungary, Ukraine and south-east Asia. As a relatively small European operator, PTT "is not a threat" to SPT, analysts say.

Attention is now focused on a detailed examination of SPT. Each company paid $100,000 for access to preliminary bidding packages. In spite of its underdeveloped network, SPT is highly profitable. Last year it made Kcs6bn ($216m) on revenues of Kcs18bn. In the first six months of 1994 it recorded pre-tax profits of Kcs3.4bn on revenues of Kcs10bn.

SPT has received Kcs7bn in loans from the World Bank, the European Investment Bank and the European Bank for Reconstruction and Development to finance its modernisation project. In July it raised a further Kcs1bn through a five-year bond issue. But the bulk of the cost of modernisation will be met through the sale of the stake and re-investment of future profits.

SPT is 74 per cent state-owned, of which 70 per cent is held directly and 4 per cent is owned by two state-run investment funds. The remaining 26 per cent – roughly 6m shares – is held by domestic investors who bought the shares in the second wave of mass privatisation this year.

The winner of the tender will receive new shares in SPT, to give it a maximum 27 per cent stake. The issue of new shares will dilute the domestic investors' holding to 19 per cent and the state's directly-held share to 51 per cent. The state will retain its majority stake for up to five years. It may then sell a further block of shares after that time.

The 6m shares sold in the privatisation wave have still to be delivered to investors, but a grey market has developed in SPT stock on the Prague bourse. The shares are trading at about Kcs3,500, which values SPT at $2.96bn.

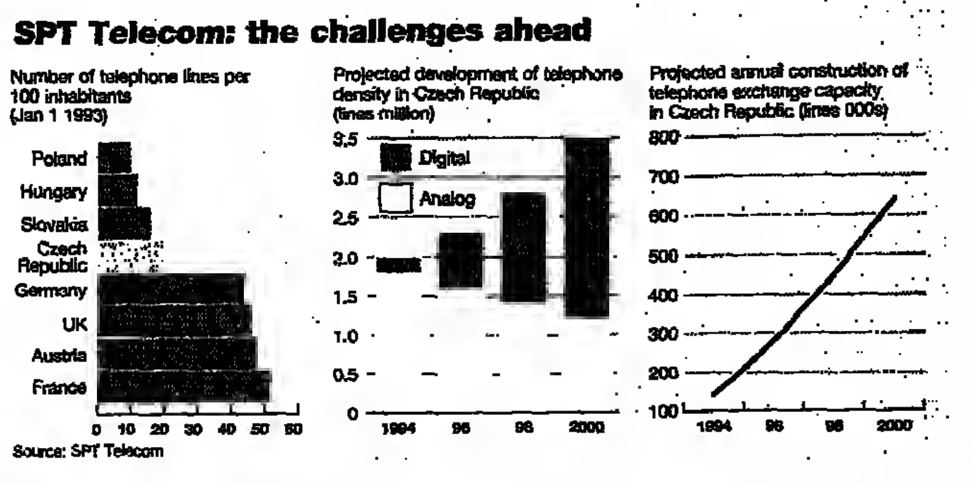
Bidders are somewhat in the dark, however, as to SPT's true worth. This will not become clear until the government establishes a regulatory framework covering future tariff policy for SPT. The framework is due to be announced late next month, and it will have an important bearing on the price the government gets for the stake.

At present, high international tariffs subsidise SPT's domestic call service. International call prices from the Czech Republic are among the highest in Europe, costing up to half as much again as comparable prices in western Europe.

A call from Prague costs Kcs31.5 a minute to the UK; Kcs63 a minute to the US; and Kcs25.2 a minute to Germany. A local call costs about Kcs2. SPT is to retain a monopoly of intercity and international calls until the end of the decade, while some competition is to be introduced in local services from next year.

The tariff policy is expected to rebalance prices by lowering international tariffs, raising local charges to market level, and pegging future price rises to inflation. If it cuts international charges too much it would make SPT less attractive. "The government can influence the price it gets by keeping international call prices high," one banker says.

SPT Telecom: the challenges ahead



Source: SPT Telecom

Higher nickel prices help to lift Falconbridge

By Bernard Simon in Toronto

Falconbridge, the Canadian metals producer which went public this year, has reported a sharp improvement in third-quarter performance, due to rising metal prices, higher sales volumes and a drop in the Canadian dollar.

Earnings were C$55.5m (US$41.4m), or 32 cents a share, compared with a C$11.4m loss, or 11 cents, a year earlier. Operating income more than quadrupled to C$94.6m from C$21.5m, while revenues climbed to C$526.7m from C$371.1m.

The results were also buoyed by a reduction in debt-service expenses from C$21.1m to C$10.9m in the wake of the recent equity issue.

Mr Frank Pickard, chief executive, predicted that nickel prices would be supported for the rest of the year by a 10 per cent rise in western steel output in 1994, and a 9 per cent increase in nickel consumption. "Fourth-quarter fundamentals are the strongest the nickel industry has experienced in many years," he said.

Nickel output rose to 17,321 tonnes in the third quarter from 15,633 a year earlier. Ferro-nickel production was 9,068 tonnes, up from 7,021 tonnes. Average nickel prices received rose to US$2.69 a lb from $2.29. Ferro-nickel prices climbed to $2.80 from $2.37, while copper prices advanced to $1.13 from 86 cents.

Falconbridge also disclosed yesterday it had obtained "particularly encouraging" exploration results from the Kidd Creek zinc and copper mine in northern Ontario. Samples from four new drillholes have yielded an average grade of 3 per cent copper, 4.8 per cent zinc, 0.85 per cent lead and 180 grams of silver per tonne.

Drilling results from the Biankouma nickel venture in the Ivory Coast indicate the ore may be suitable for ferro-nickel production, using the same process as Falconbridge's operation in the Dominican Republic.

NEWS DIGEST

Berjaya to take direct control of Singer subsidiary

Berjaya, the Malaysian conglomerate controlled by Malaysian-Chinese businessman Mr Vincent Tan, has announced a wide-ranging shake-up of its corporate structure, writes **Kieran Cooke in Kuala Lumpur.**

The complex exercise will bring the listed Berjaya Singer, a producer of household goods and one of the most profitable companies in the Berjaya stable, under the direct control of Berjaya Group, the quoted company which serves as the conglomerate's holding company and flagship.

Under the present structure, Berjaya Singer is controlled through two other listed companies in the group, Berjaya Industrial and Berjaya Leisure. Berjaya Group says the new arrangement will mean that Berjaya Singer's profits to the group holding company will no longer be diluted.

Berjaya, with interests including textiles, media, leisure and casino operations and timber concerns, has been restructured several times in recent years.

The latest reorganisation involves cash and share transactions between the various Berjaya companies, plus a Berjaya Group rights issue which aims to raise nearly M$970m (US$379m). The cash would be used to repay loans and finance Berjaya's ambitious expansion plans.

Earlier this month, Berjaya companies announced plans to gain control of Indah Water, a consortium which has been given charge of a M$6.4bn scheme to upgrade Malaysia's sewerage system.

BES Engineering advances 10% at pre-tax level

BES Engineering, Taiwan's recently-privatised construction company, reported pre-tax profits of T$398m (US$15.2m) in the first quarter ended September 30, up 10 per cent from a year earlier, writes **Laura Tyson in Taipei.**

BES was one of the first state-owned companies to be privatised.

As one of two government-owned contractors, BES was until 1992 granted preferential access to infrastructure contracts.

Faced with challenges from legislators and private construction companies, it has since been obliged to participate in open bidding for projects.

The company is estimated to have orders amounting to some T$20bn

Enso-Gutzeit in talks on taking Veitsiluoto stake

Enso-Gutzeit, the Finnish forestry group, said yesterday it had been in talks with the Ministry of Trade and Industry over the possible acquisition of a 35 per cent stake in state-owned Veitsiluoto, agencies report from Helsinki.

Veitsiluoto produces paper and pulp and operates saw mills. Its turnover in 1993 was FM4.82bn ($1bn), resulting in a loss after financial items of FM150m.

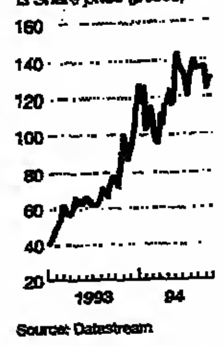
The Finnish state owns 33.7 per cent of the shares and 52.1 per cent of the voting rights of Enso-Gutzeit, and 91.1 per cent of the shares and voting rights of Veitsiluoto.

Enso-Gutzeit is expected to report a profit after financial items of FM699.1m for the first eight months of the year. This is the average of forecasts from 11 analysts.

In the January-August period last year, Enso's profit after financial items was FM186m.

Gain from HK property sale helps San Miguel surge

San Miguel



Source: Datastream

San Miguel, the Philippines' largest food and beverage conglomerate, posted a sharply-improved net profit, of 9.6bn pesos ($375.7m), in the first nine months of the year. It attributed the rise to an extraordinary gain from a Hong Kong property sale, Reuter reports from Manila. Even without the 6.46bn pesos gain, San Miguel would have posted a net profit of 3.14bn pesos in the January to September period, 40 per cent up on the 2.24bn in the same period last year.

San Miguel, through its San Miguel Brewery Hong Kong unit, sold a prime property in the colony for HK$3.5bn ($452.9m).

San Miguel said profits continued to rise on sustained growth in sales volume and improvement in the Philippine economy.

The company's consolidated sales in the first nine months amounted to 48.9bn pesos, 12 per cent better than the 48.7bn pesos posted in the same period last year.

Holdains upbeat in spite of 4.6% profits decline

An improved political climate and renewed economic growth allowed Holdains, the South African packaging group, to lift an earlier, gloomy earnings forecast, but it still recorded a 4.6 per cent decline in after-tax profit to R110.6m ($30.1m) for the year ended in August, down from R134.8m a year ago, writes **Mark Suzman in Johannesburg.**

Sales rose 9 per cent, to R2.8bn from R2.5bn, but operating income declined sharply to R168.7m from R196m as a result of intense pressure on the group's margins in the first half of the year.

However, after-tax figures were helped by a reduction in interest paid, to R19.8m from R31.8m, as well as lower taxes, at R25.7m compared with R29.4m a year ago. The full-year dividend was maintained at 125 cents.

Mr Richard Bruyns, chief executive, said the outlook for the next year was greatly improved. "Strong turnover growth in all our divisions was achieved in the last quarter and we anticipate that the accelerated pace will continue," he said.

Holdains' balance sheet improved slightly on the year as gearing dropped to 14.8 per cent from 18.4 per cent a year ago. The 1992 figure was 45.1 per cent. The company also announced it had spent R105m on plant expansion and R34m on asset replacement.

MCA managers to discuss buy-out at Matsushita talks

By Alice Rawsthorn in London and Michiyo Nakamoto in Tokyo

Mr Lew Wasserman, veteran chairman of MCA, the Los Angeles-based entertainment group, and Mr Sidney Sheinberg, its president, are expected at e meeting today to raise the subject of taking control of MCA by buying a majority stake from Matsushita, its Japanese parent.

Top managers from MCA are due to meet in Hawaii with representatives of Matsushita, the Japanese electronics company that acquired MCA four years ago.

Matushita yesterday denied it would consider ceding control of MCA, which owns Geffen Records and Columbia Pictures, the etudio behind a string of recent recent box office hits, including *The Flintstones* and *Jurassic Park*.

Mr Yoichi Morishita, president of Matsushita, said his group had not received notification of a bid for MCA. However, he admitted to a Japanese newspaper that there had been differences between MCA and Matsushita over the former'e investment plans.

The MCA management has made no secret of its frustration with Matsushita's apparent reluctance to allow the company to participate in the acquisitions and joint ventures sweeping across the entertainment industry.

Since buying MCA for $6.1bn in 1990, Matsushita is reported to have blocked several proposed investments, including a plan to buy a stake in the NBC television network and an earlier bid to take control of Virgin Records.

Faced with the aggressive expansion of rivals, auch as Time Warner and Viacom, Mr Wasserman and Mr Sheinberg are said to have become anxious to free MCA from Matsushite'e control. The two, both of whom made substantial sums from the Matsushita acquisition, are believed to have discussed the possibility of a buy-back with external investors.

They are also understood to have had discussions with the three Hollywood heavyweights – Mr David Geffen, the music magnate, Mr Steven Spielberg, the Oscar-winning film director, and Mr Jeffrey Katzenberg, former head of Walt Disney'e movie studios – who last week announced plans to launch a new entertainment group.

Scott jumps by 75% as restructure continues

By Laurie Morse in Chicago

Scott Paper, the international tissue peper manufacturer that has been undergoing a big restructuring, yesterday reported a near 75 per cent jump in third-quarter net income to $60.6m, or 80 cents a share. This compares with $35.1m, or 48 cents, in the comparable quarter last year.

Scott last week announced the sale of its S.D. Warren printing paper subsidiary to the South African company Sappi. The deal was part of its strategy to focus on tissue-based consumer products.

The profits advance was made in spite of flat sales, at $1.1bn.

Mr Albert Dunlap, the new chairman brought in to oversee Scott's restructuring, said: "Our third-quarter results represent the best quarterly performance in four years."

During the third quarter, S.D. Warren's sales increased modestly to $294.7m, from last year's $290.8m, while its operating income rose to $26.3m, from $26m.

For the first nine months, Scott recorded income of $126.0m, or $1.68, against last year's $93.3m, or $1.26.

New York puts new light on nationalisation

Richard Tomkins examines the arguments for the state's planned $2.5bn takeover of Lilco

America, the land of free enterprise, is surely the last place anyone would expect to find the public sector proposing to nationalise a stock-market quoted company.

That, however, is precisely what the State of New York intends to do with its planned $2.5bn acquisition of the Long Island Lighting Company, a private sector electricity company known to its customers as Lilco.

Thumbing its nose et the world-wide trend towards privatisation, New York state has asked the company to enter immediate negotiations on its proposed cash offer of $21.50 a share.

Lilco's board says it is "seriously evaluating" the offer: but it seems quite possibla the company and its shareholders will accept.

Why do it? Lilco, which generates and distributes power in the counties of Nassau, Suffolk and a portion of Queens, is not in imminent danger of collapse. But it is extremely unpopular with its customers because it charges the highest electricity prices in the US – 16.1 cents per kWh for residential customers, almost double the national average of 8.7 cents.

Mr Mario Cuomo, the Democratic governor of New York state, says that taking Lilco into public ownership would cut electricity bills by an immediate 10 per cent because the company would no longer have to pay tax or shareholders' dividends.

The result would be a lot of happy voters when Mr Cuomo is fighting a tough re-election battle.

Mr James McFadden, a utilities analyst at Bear Stearns, tha Wall Street securities house, believes the financial case stacks up. The arithmetic goes like this.

At present, US electricity companies need to deliver an annual rate of return of 11 per cent on equity to attract investors. For Lilco, the cost in shareholder dividends works at about $250m after tax. That means it has to earn $400m before tax to deliver a satisfactory rate of remuneration.

Mario Cuomo: fighting a tough re-election battle

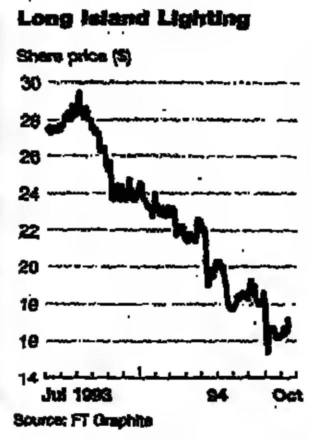
Now contrast the case if the company were taken into public ownership. The takeover would be financed through a $2.5bn issue of tax-exempt revenue bonds. Holders of these would require an interest rate only 7 per cent because they would not have to pay tax on the income, so the after-tax cost of servicing the debt would be only $175m. And because a government-owned Lilco would not be liable for taxation, the figure would be $175m before tax, too.

The saving to Lilco would therefore be the difference between $400m and $175m: that is, $225m. Based on Lilco's present annual revenues of $2.85bn, that would allow for an immediate cut in electricity prices of just under 10 per cent.

The logic is seductive. But if valid, could not the same case be made for netionalising every other private sector utility in the US?

Mr Irwin Stelzer, director of regulatory policy studies at the American Enterprise Institute, a free-market think-tank, points out there are flaws in the argument. One is thet e public eector company ia unlikely to be better managed than a private sector one. Another is that Lilco's tax-exempt status will simply transfer coets from its customers to federal taxpayers. A third is that the bond issue will further extend New York state's indebtedness, leaving it less room to borrow for other purposes.

A better way of reducing electricity bills, according to Mr Stelzer, would be to allow other power companies to supply cheap electricity to Lilco's customers through Lilco'e wires.



Source: FT Graphite

"The solution to high-cost power is competition, not state monopolies," Mr Stelzer says.

In fact, some of Lilco's most pressing problems relate to the threat of competition.

Between 1973 and 1984, the company spent $5.5bn on constructing a nuclear power station which was never used. Now it has to charge high prices to aervice the debt it incurred – but it can only do so because it enjoys a monopoly.

That could change. The regulatory environment for electricity companies is shifting, and Lilco is under increasing pressure to let its customers shop around for power.

Once that starts to happen, Lilco will need to charge even higher prices to maintain revenues from a smaller customer base, leading to a spiral of decline.

Such fears have done little for Lilco's share price: it has generally been heading downwards for more than a year. From that point of view, a takeover by New York state might come as e relief.

But the market yesterday looked reluctant to gamble that Mr Cuomo would be re-elected to pursue it. Lilco's shares were off $⅜ et $17¼, well below the $21.50 offer price.

Two US commercial banks sharply ahead

By Richard Waters in New York

The pick-up in consumer lending in the US this year was the main factor behind double-digit earnings growth at two large US commercial banks which reported third-quarter earnings yesterday.

NationsBank, the third biggest bank with assets of $167bn, said its consumer loans were up 18 per cent on a year ago, while commercial loans were 10 per cent higher, excluding the effect of acquisitions.

KeyCorp, the Cleveland-based group with assets of $65bn, reported loans up 13 per cent on a year before.

The growth in loans came against the background of narrower lending margins.

At NationsBank, which maintains large dealing positions, the net interest margin slipped from 3.83 per cent to 3.54 per cent, and at KeyCorp from 5.3 per cent to 4.69 per cent.

NationsBank reported after-tax profits of $431m, up 26 per cent from a year before due partly to acquisitions made since then. Earnings per share rose 17 per cent, to $1.55, in line with market expectations.

KeyCorp'e net income also matched most analysts's projections, with a 14 per cent year-on-year rise, to $229m. Earnings per share rose 12 per cent, to 92 cents.

However, First Chicago, with assets of $66bn at the end of September, reported a 46 per cent fall in net income from a record level in the third quarter of 1993. In the previous period, earnings benefited from the sale of equity investments, which contributed $1.40 a share. The bank reported net income of $154m, or $1.54 a share.

IBM simplifies range of PC product lines

By Louise Kehoe in San Francisco

International Businese Machines has simplified its personal computer product lines, reducing them from nine ranges to four in an attempt to cut costs and reduce confusion among buyers.

The new "branding strategy" is the latest move by IBM to try to regain momentum in the fiercely competitive PC market. It has fallen from first place in the US PC market in 1993 to fourth place behind Compaq Computer, Apple and Packard Bell in the first half of this year.

The company also launched several new desktop and notebook models and cut prices on others.

"The PC industry has done a brilliant job of innovation and technology," said Mr G. Richard Thoman, IBM senior vice-president and group executive, who took charge of IBM's PC operations in January.

"But in the process, we have lost touch with the majority of customers who are all dazed and confused by the complexity in the technology, the array of choices, and the level of support."

The new IBM brand names are IBM PC, IBM PC Server, ThinkPad (for notebook computers) and Aptiva (for consumer products).

The consolidation does away with lines including the PS/1, PS/2 and Value Point, and reduces the number of designs IBM will manufacture. The new approach marks the return of the "IBM PC" brand that for a decade was the hallmark of PC industry standards.

IBM will back its new branding strategy with an aggressive television and print advertising campaign, Mr Thoman said. Streamlining the product linee is part of a broad restructuring effort, he added. Over the past 10 months he has consolidated IBM PC operations and sharply cut its workforce.

The changes have been "difficult, but necessary", said Mr Thoman. "We are now in e position to respond better and faster to the customer and become the long-term leader in the PC industry."

The company also introduced new products under these brands, including a family of commercial desktops – the IBM PC 700 and IBM PC 300 Series.

A software suite called IBM PC EasyTools, including applications and programs that help to set up a new computer, will be loaded on the entire IBM PC series.

Also introduced were a new PC Server and new multimedia notebook computers.

Prices were cut by up to 17 per cent on some existing ThinkPad and PS/2 models.

AT&T acquires Alaska phone group for $365m

Pacific Telecom, an 87 per cent owned unit of PacifiCorp, is selling its Alascom long distance phone company to AT&T for $365m, Reuter reports.

Alascom provides Alaska with interstate and intrastate long-distance, private line and other communications services.

Pacific Telecom is to use the proceeds to fund its local telephone exchange acquisition programme, including purchases of lines from US West in Colorado and Oregon for $380m.

In 1993 Alascom contributed $338m in operating revenue and $59m in operating income to Pacific Telecom's consolidated operations. For the first half of 1994 the figures were $160m and $31m respectively.

"The decision to sell Alascom was based in part on the expectation that operating revenues and operating income would decline as the result of implementing a final Federal Communications Commission order relating to the restructuring of the Alaska long distance market," said Mr Fred Buckman, chief executive of PacifiCorp.

INTERNATIONAL CAPITAL MARKETS

Treasuries ease as weak dollar unnerves investors

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices eased slightly at both ends of the maturity range yesterday morning as renewed dollar weakness and a rise in commodity prices unnerved bond market investors.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was down $\frac{1}{32}$ at $95\frac{31}{32}$, to yield 7.845 per cent. The two-year note was also weaker, down $\frac{1}{32}$ at $99\frac{7}{32}$, yielding 6.567 per cent.

Prices edged lower from the start, due primarily to a slide in the dollar's value on foreign exchange markets overnight. Investors are worried that further declines in the dollar might push the Federal Reserve into raising interest rates sooner rather than later.

Although the Fed generally does not change monetary policy because of currency concerns, it is ready to raise rates if the economy continues to grow slowly. Some analysts believe fresh weakness in the dollar could trigger an early move by Fed policy makers.

The market was put under additional pressure by a firming in commodity prices – including gold, platinum, silver and crude oil – and by news of a strong business inventories reading for August. According to data released yesterday, business inventories rose 1 per cent in August, a much larger increase than forecast and an indicator that third-quarter economic growth may come in stronger than anticipated.

■ German Chancellor Helmut Kohl's narrow election victory gave bunds a boost which rippled across European government bond markets.

The Nordic markets derived additional support from the Finnish referendum on European Union membership, which resulted in a vote of 57 per cent in favour of joining.

German government bonds recouped an early drop to end a busy day more than ½ point higher.

Although bunds had already risen sharply last week in anticipation of a Kohl victory, the rally continued yesterday as capital flows into the market increased, observers said.

"Although a lot of people were calling for a Kohl victory, few of them were willing to bet their money on it before the election – the opinion polls were so close until the very end," said Mr Julian Callow, European economist at Kleinwort Benson.

"But once people knew the outcome, there was an immediate flow of funds into German assets, especially bonds." Traders reported buying of bunds not only by European fund managers, but also from east Asian and US investors. This was also raflacted in the D-Mark, which rose sharply against most other currencies.

Bunds largely ignored weakness in the US Treasury market, which caused the yield spread between the two markets to widen. Mr Callow expects this divergence to continue in the near term as bunds strengthen further. However, he warned that as bund yields approached 7 per cent, thet spread would look "very stretched".

At yesterday's European close, US Traasury notes yielded soms 48 basis points more than bunds.

The election hurdle having been overcome, the focus is now back on the Bundesbank as market participants await September M3 money supply data and October inflation numbers.

■ French bonds underperformed their German counterparts, causing the 10-year yield spread over bunds to widen to 69 basis points, from 62 on Friday.

The market was depressed by the French franc's weakness against the D-Mark and the shift of the political focus from Germany to France ahead of next year's presidential elections. Political jitters have been exacerbated by recent corruption scandals surrounding members of the government. The OAT futures contract on Matif rose by 0.08 point to 111.90.

■ UK gilts tracked bunds higher and underperformed them only slightly, with the 10-year yield spread widening by two basis points to 132. The December long gilt future rose by ¼ to 102¼. In the absence of significant domestic data, gilts are expected to take their cues from international markets until Friday's release of third-quarter GDP figures.

■ The Nordic markets posted solid gains, boosted both by firmer markets elsewhere and Finland's 57 per cent vote in favour of EU membership.

Mr Paul Donovan, bond analyst at UBS, said: "The prospect of a positive vote in the Swedish referendum on November 13 has increased; if Sweden agrees to EU membership, there are realistic prospects for a 'yes' in Norway's referendum on November 28."

EU membership for Sweden would provide prospects for fiscal austerity as the government aimed to meet the Maastricht criteria, and support for the krona, he said.

Indosat ADSs set for launch in New York

By Richard Lapper

Trading is set to begin today in New York in the American Depositary Shares (ADSs) issued by Indosat, Indonesia's international telecommunications company, marking the launch of one of Asia's biggest international equity issues.

The Indonesian government – which will reduce its stake by some 25 per cent – has raised \$721.13m through an issue of 22.5m ADSs and has an option to sell a further 3.4m. It is expected to raise a further \$330m through an issue of new shares to local investors.

Overall, the scala of the deal looks likely to surpass other large Asian issues such as Pakistan Telecommunications (\$917.4m) and Morgan Stanley Asia Pacific (\$802.5m), according to figures produced by IFR Securities in London.

The ADSs (each representing 10 shares) were priced yesterday at \$32.05 each. Roughly half have been directed to US investors. The new Indosat shares will be listed on the Jakarta and Surabaya bourses later this week.

Merrill Lynch and the local brokerage house Danareksa Securities are joint global coordinators of the issue. Co-managers of the deal in the US are J.P. Morgan, Salomon Brothers, Lehman Brothers, Goldman Sachs, Morgan Stanley and Smith Barney.

Reportedly oversubscribed in both New York and Jakarta, it should raise the international image of the local market and boost the government's stalled plans to privatise a batch of state companies. The possible privatisation of more than 200 state firms, many of them poorly-managed and inefficient, has been mooted for some time. Garuda Indonesia, the airline, PT Telkom, the domestic telecommunications firm, and PLN, an electricity company, are the favourites to follow Indosat.

The issue also confirms a trend for companies in emerging markets to raise capital through issues of either ADSs, American Depositary Receipts or Global Depositary Receipts, tradeable certificates which represent underlying shares. Earlier this month, a Citibank study showed thet issuers from the amerging markets accounted for 61 per cent of ADR programmes launched in the first nine months of the year, compared with only 11 per cent in all of 1990.

The total number of ADR shares traded on the US stock exchanges hit an all-time high of 5.2bn in the period, a 21 per cent increase on the year. The dollar volume of ADRs traded amounted to \$184bn, a rise of 32 per cent.

A total of 184 companies from 40 countries launched new ADR or GDR programmes, up from 96 companies in the comparable months of 1993. Depositary receipts were also used in 17 privatisations.

Indian companies were the most active in the ADR market, with 29 issuing new depository receipt programmes in the period, followed by Hong Kong with 17 companies, Brazil and Mexico with 16, and South Africa with 10.

India's Shiram Industrial Enterprises raised \$40m through an issue of GDRs on Friday. Also last week, Banco Ganadero, one of Colombia's largest commercial banks, confirmed that it, too, intended to issue ADRs in New York.

World Bank follows EIB with three-year lira offering

By Graham Bowley

The World Bank made its debut in the three-year area of the eurolira sector yesterday with a L300bn offering that was targeted mainly at Italian retail investors.

Elsewhere, the Canadian dollar sector witnessed further issuance, continuing a trend begun last week. Borrowers also launched offerings into a rising D-Mark sector, boosted by the German general election result.

INTERNATIONAL BONDS

The success of last month's three-year L500bn deal from the European Investment Bank persuaded the World Bank to tap the short end of the lira sector, joint lead manager IMI said. The World Bank usually prefers to borrow funds of a maturity of at least five years, an IMI official said.

"This deal recognises that current demand is at the very short maturities in most currency sectors," the official said. "There is a particular shortage of supranational paper."

The bonds, launched with a coupon of 10⅝ per cent, represent the World Bank's first lira offering since a reverse floating-rate note launched in May, IMI said.

France Télécom made its debut in the Canadian dollar sector with a C\$125m offering of three-year bonds priced to yield 12 basis points over Canadian government bonds.

Lead manager Paribas said the bonds were targeted mainly at retail investors in Switzerland and the Benelux countries.

Syndicate managers said the bonds were fairly priced. However, some dealers said that the Canadian dollar sector was now becoming congested. The launch follows similar deals last week by the European Investment Bank and Rabobank.

"The EIB deal was a success, largely because there had been very little issuance in Canadian dollars for some tima," said one syndicate manager. "Then there was Rabobank, and now this deal may just have overdone things."

Also in the Canadian dollar sector, Banque Nationale de Paris launched a C\$75m offering of six-year bonds, lead managed by Hambros Bank.

Syndicata managers said that the bonds, priced to yield 22 basis points over Canadian government bonds, represented very tight pricing for the six-year area of the yield curve.

In the D-Mark sector, the state of Baden-Württemberg launched a DM750m offering of 10-year bonds priced to yield 25 basis points over German government bonds.

Although there was some interest in the paper from German institutions, most of the bonds were placed with institutions in the Netherlands, the UK, France and east Asia, excluding Japan, joint lead manager Goldman Sachs said.

It said many investors were switching out of German government bonds to buy the new issue.

"With state bond issuance falling following privatisation [of state companies], there is clearly room for an alternative to government bonds, and the states are prime candidates with their high implied credit rating and regular funding needs," said a syndicate official.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
State of Baden-Wuerttemberg(a)	750	7.50	99.50R	Oct.2004	0.325R	+25(6¾%-04)	Goldman/ Morgan Stanley
Eurofima	400	6.625	101.070	Nov.1997	1.25	-	Dresdner/ SBG(Deutschland)
GZB Bank‡	150	(b)	100.10	Nov.1999	0.20	-	Trinkaus & Burkhardt
ITALIAN LIRE							
World Bank	300bn	10.625	101.135	Nov.1997	1.25	-	Deutsche Bank/IMI Bank Lux.
CANADIAN DOLLARS							
France Telecom	125	8.25	100.055R	Dec.1997	0.1875R	+12(c)	Paribas Capital Markets
Banque Nationale de Paris	75	8.00	99.75R	Dec.2000	0.275R	+22(c)	Hambros Bank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Short 1st coupon. b) 6-mth Libor +30bp, max 10%. c) Over interpolated yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	93.2000	+0.590	10.10	10.10	10.10
Belgium		7.250	04/04	93.5800	+0.430	8.24	8.49	8.64
Canada *		6.500	06/04	83.9500	-0.250	9.03	9.04	8.86
Denmark		7.000	12/04	88.9500	+0.700	8.68	9.00	9.18
France	BTAN	8.000	05/98	101.6100	-	7.48	7.59	7.55
	OAT	6.500	04/04	83.6500	-0.130	8.02	8.13	8.13
Germany Treu		7.500	09/04	101.0900	+0.580	7.34	7.63	7.65
Italy		8.500	08/04	81.7300	-0.120	11.68†	11.81	11.93
Japan	No 119	4.800	06/99	103.1110	+0.800	4.01	4.11	3.91
Japan	No 164	4.100	12/03	96.1540	+0.130	4.70	4.76	4.59
Netherlands		5.750	01/04	89.9600	+0.540	7.28	7.58	7.61
Spain		8.000	05/04	83.0400	+0.140	10.92	11.09	11.35
UK Gilts		6.000	08/99	90-29	+13/32	8.32	8.53	8.75
		6.750	11/04	88-13	+16/32	8.47	8.69	8.96
		9.000	10/08	104-11	+20/32	8.46	8.67	8.92
US Treasury *		7.250	08/04	97-15	-1/32	7.62	7.69	7.49
		7.500	11/24	95-31	-3/32	7.85	7.90	7.76
ECU (French Govt)		8.000	04/04	84.5900	+0.320	8.41	8.66	8.70

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
		One month	4.84	Two year	6.58
Prime rate	7¾	Two month	4.86	Three year	6.88
Broker loan rate	6½	Three month	5.01	Five year	7.28
Fed.funds	$4\frac{3}{4}$	Six month	5.51	10-year	7.63
Fed.funds at intervention	-	One year	6.03	30-year	7.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.64	111.90	+0.06	112.10	111.38	155,598	134,240
Mar	110.86	111.14	+0.06	111.20	110.86	1,416	6,779
Jun	110.10	110.38	+0.08	110.10	110.10	2	661

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
110	2.01	2.61	2.68	0.12	0.53	1.53
111	1.21	1.78	2.11	0.30	0.83	1.96
112	0.58	1.18	-	0.65	1.20	-
113	0.20	0.72	-	1.27	-	-
114	0.06	0.38	-	-	-	-

Est. vol. total. Calls 24,793 Puts 29,855 . Previous day's open int., Calls 268,633 Puts 335,191.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.22	91.04	+0.69	91.17	89.97	244982	159735
Mar	89.25	90.24	+0.71	90.33	89.25	401	4127

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9100	0.55	1.06	0.92	1.24	0.51	1.02	1.88	2.00
9150	0.33	0.81	0.73	1.03	0.79	1.27	1.99	2.28
9200	0.18	0.61	0.57	0.85	1.14	1.57	2.33	2.61

Est. vol. total. Calls 46363 Puts 37319. Previous day's open int., Calls 286754 Puts 250972

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.90	99.63	+0.31	99.95	98.80	31304	58422
Mar		98.95	+0.33			0	2972

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
9950	1.62	2.48	1.49	3.13
10000	1.38	2.28	1.73	3.41
10050	1.13	2.06	2.00	3.71

Est. vol. total, Calls 743 Puts 496. Previous day's open int., Calls 22299 Puts 27297

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.07	88.15	+0.06	88.78	88.05	68,022	76,394

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-18	102-13	+0-21	102-17	101-12	63071	90413
Mar		101-18	+0-21			0	46

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
102	1-37	2-23	1-71	2-55
103	1-04	1-58	1-42	3-26
104	0-42	1-33	2-18	4-01

Est. vol. total, Calls 17834 Puts 2191. Previous day's open int., Calls 72843 Puts 41560

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.94	81.52	+0.32	81.60	80.94	804	7,309

US

■ US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	99-12	99-04	-0-07	99-15	98-29	472,345	408,249
Mar	98-23	98-14	-0-08	98-25	98-08	2,129	25,837
Jun	97-24	97-27	-0-10	97-27	97-24	1,071	11,331

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.46			107.55	107.46	1153	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 17	Day's change %	Fri Oct 14	Accrued interest	xd adj. ytd		Low coupon yield Oct 17	Oct 14	Yr. ago	Medium coupon yield Oct 17	Oct 14	Yr. ago	High coupon yield Oct 17	Oct 14	Yr. ago
1 Up to 5 years (24)	119.38	+0.20	119.28	0.93	9.83	5 yrs	8.40	8.49	8.10	8.45	8.55	6.34	8.60	8.70	6.52
2 5-15 years (22)	140.36	+0.63	139.84	1.62	10.86	15 yrs	8.35	8.44	6.99	8.48	8.58	7.15	8.70	8.79	7.34
3 Over 15 years (8)	158.51	+0.77	157.29	2.64	9.81	20 yrs	8.31	8.40	7.10	8.48	8.58	7.20	8.58	8.66	7.36
4 Irredeemables (6)	181.98	+1.00	180.18	4.11	8.83	Irred.†	8.40	8.49	7.23						
5 All stocks (60)	137.45	+0.51	136.97	1.56	10.35										

Index-linked	Mon Oct 17	Day's change %	Fri Oct 14	Accrued interest	xd adj. ytd		Inflation 5% Oct 17	Oct 14	Yr. ago	Inflation 10% Oct 17	Oct 14	Yr. ago
6 Up to 5 years (2)	185.95	+0.11	185.75	0.20	5.07	Up to 5 yrs	3.81	3.85	2.34	2.59	2.62	1.47
7 Over 5 years (11)	173.69	+0.30	173.17	0.63	4.36	Over 5 yrs	3.82	3.84	3.13	3.62	3.64	2.95
8 All stocks (13)	174.09	+0.28	173.60	0.59	4.41							

Debentures and Loans	Mon Oct 17	Day's change %	Fri Oct 14	Accrued interest	xd adj. ytd	5 year yield Oct 17	Oct 14	Yr. ago	15 year yield Oct 17	Oct 14	Yr. ago	25 year yield Oct 17	Oct 14	Yr. ago
9 Debs & Loans (77)	129.41	+0.84	128.33	2.25	8.95	9.51	9.61	7.78	9.46	9.55	8.06	9.40	9.49	8.19

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 17	Oct 14	Oct 13	Oct 12	Oct 11	Yr ago	High*	Low*
Govt. Secs. (UK)	92.28	91.89	91.73	91.34	90.88	102.95	107.04	89.54
Fixed Interest	108.69	108.65	108.22	107.76	107.60	124.38	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10
Gilt Edged bargains	97.9	103.6	105.3	98.0	91.2
5-day average	99.2	95.6	90.6	84.7	78.9

UK GILTS PRICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on October 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	89½	89¾	+¼	8.25
Alberta Province 7⅝ 98	1000	100⅛	100⅜		7.59
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7⅛ 97	5500	101¼	101½	+⅛	6.65
Volkswagen Intl Fin 7 03	1000	95¼	95⅞	+½	7.77
World Bank 0 15	2000	20¾	21⅛	+⅛	7.71
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 08 £	1000	92⅛	92½	+⅛	8.97
Alliance Leics 11⅜ 97 £	198	108⅛	108½	-⅛	8.56
British Land 8⅞ 23 £	150	89½	90	+½	10.24
[illegible]					

[illegible]

COMPANY NEWS: UK

Whisky producer hints at diversifying into other spirits

Highland advances to £42.5m

By Roderick Oram, Consumer Industries Editor

Highland Distilleries, the independent Scotch whisky producer, reported yesterday a rise in pre-tax profits from £38.8m to £42.5m for the year to August 31 and hinted that it was thinking of diversifying into other spirits.

Despite its success from focusing on Scotch, "we see ourselves as a premium spirits company. If there are opportunities in other spirits, we wouldn't say 'no'," Mr Brian Ivory, chief executive, said.

"Other spirits would give our sales and distribution another sector of the market," said Mr John Goodwin, chairman. Neither he nor Mr Ivory would be drawn on which drinks Highland was looking at or whether it would buy or build brands.

"We're working very hard on this and within the next year, we'll come out with something," Mr Goodwin said.

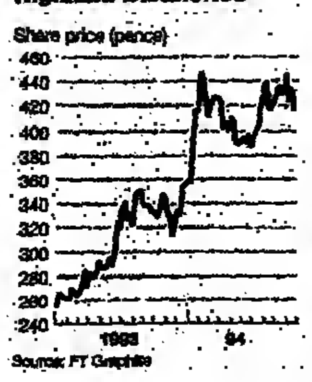
Despite difficult conditions over the past year, Highland's Famous Grouse Scotch brand, accounting for three quarters of group operating profits of £24.4m (£23.5m), held its second place in the UK market behind Bell's, but its share slipped to 13.8 per cent (14 per cent). It increased exports by 14 per cent in volume terms and 24 per cent by value.

Sales of new fillings and mature whiskies were steady, but profits were lower in the latest financial year. Orders for new fillings this year were up 11 per cent.

Income from associates rose to £11.3m (£9.8m), reflecting a larger contribution from Robertson & Baxter, a distiller, and the first time equity accounting of Highland's 50 per cent interest in the North British grain distillery.

With Christmas threatening to bring another whisky price war, Highland expressed confidence in its strategy of maintaining its premium market position.

Highland Distilleries



Source: FT Graphite

Highland planned to use the same approach as last year when it maintained its premium pricing and refrained from joining its rivals' discounts for buying multiple bottles.

Turnover rose 3 per cent from £171.1m to £175.8m. A 5.5p final dividend is proposed, making 7.26p (6.6p) for the year. Earnings per share were up 9 per cent at 21.9p and the company is proposing to buy back up to 5 per cent of its shares.

● **COMMENT**

Highland has proved again the wisdom of focusing on Scotch and the Famous Grouse brand. The strategy will face another test this Christmas when the group will defend its premium market position against price-cutting competitors. But the brand's inherent strength is likely to produce pre-tax profits of about £46m this year for earnings of 23.7p and a prospective p/e of 17.6. This is expensive relative to the market and the suggestion of broadening the drinks portfolio might undermine the shares until Highland's strategy is clarified. With these uncertainties, the shares fell 14p to 419p yesterday.

Airtours stretches sea-legs in £35m buy

By David Blackwell

The detour by Airtours into the cruise market, launched in April with the purchase of a Norwegian ship, has taken off faster than the group expected.

Yesterday the UK's second biggest holiday company paid £35m cash for a second ship – almost six months before a single passenger embarks on an Airtours cruise.

"We were surprised by the demand in the market place," said Mr Hugh Collinson, managing director, adding that potential customers had been disappointed that more than 90 per cent of the cruises on the first ship had already been sold.

"We were keen to get a second ship to take advantage of the pent up demand," he said.

The group's first boat, the Seawing, has room for 800 passengers, and sets sail under the Airtours banner on March 25.

Its purchase for £16m was announced on April 28 at the same time as an £82m rights issue and the acquisition of SAS Leisure for £74m. The group said at the time that it had no immediate plans to invest in further cruise ships.

The Nordic Prince, bought yesterday from Royal Caribbean Cruises, can take more than 1,200 passengers. Airtours takes delivery at the beginning of next year, but is leasing the ship back to Royal Caribbean until March 15.

Mr Collinson said the ship would then undergo a minor refit – mainly of furnishings – and start operations for Airtours on May 6 from Palma in the Mediterranean.

Airtours is using its existing marketing and reservation systems for its cruise holidays, which can be combined with stays ashore.

Mr Collinson said summer prices for a flight and an inside cabin ranged from £399 to £549 per person a week, which he claimed was £300 below competitors' prices.

April's rights issue price was 390p. Yesterday the shares edged ahead 3p to 455p.

Lossmaker's delivery to Lufthansa a 'milestone'

BAe confident that Avro will break even by 1997

By Paul Betts, Aerospace Correspondent

British Aerospace expects its lossmaking Avro regional jet operations to break even by 1997; earlier if the regional aircraft market recovers more quickly as a result of the extensive restructuring of the past three years.

Avro is expected to lose about £50m this year on sales of between £400m and £500m.

Mr Michael Donovan, Avro's new chief executive, said yesterday that break-even would be achieved even without a joint venture with other regional jet manufacturers.

The company has shed 6,000 jobs in the last three years and now employs only 2,000 at its assembly facility at Woodford, near Manchester.

Mr Donovan was speaking at the hand-over of the first of three Avro RJ85 jets to Lufthansa's regional subsidiary, Cityline. The German airline is the first large international flag carrier to order the aircraft.

"The delivery to Lufthansa represents a milestone in the history of Avro, and indeed British Aerospace," said Mr Donovan. Lufthansa has also taken options to acquire an additional three RJ aircraft.

Talks are continuing between BAe and Fokker, the Dutch regional aircraft manufacturer owned by Deutsche Aerospace, on the establishment of a regional aircraft joint venture modelled on European Airbus, the large airliner consortium. These discussions are likely to take time, although both companies acknowledge that they share a vision of the need to regroup in the European regional jet market.

BAe is also keeping its options open over possible collaboration with Asia-Pacific manufacturers, since it believes that Asia will become the biggest market for regional jets. BAe failed to negotiate a regional jet joint venture with Taiwan last year, but Taiwan is understood to be still interested.

Mr Donovan stressed that any joint venture would be customer-driven. Although the industrial logic argued in favour of a European grouping of regional jet manufacturers to reduce excess capacity, European manufacturers had to be open to possible joint ventures with Asian partners – a prerequisite for large-scale aircraft sales in that region.

This year Avro has won 18 orders for its jets (equivalent to one year's production) and has an order backlog of 29 aircraft.

At its peak five years ago, BAe was producing about 40 regional jets from its two assembly lines at Woodford and Hatfield, Hertfordshire. Hatfield has since been closed.

BAe is also continuing its search for joint venture partners for its lossmaking turbo-propeller activities regrouped around Prestwick, Scotland. This represents a more difficult challenge as the turbo-prop business is estimated to be losing some £150m a year.

Unlike the regional jet operations, the future of the turbo-prop side hinges on a joint venture since the company believes it is highly unlikely that these activities can break even on their own. BAe has been talking to the Franco-Italian ATR consortium.

The problem for the turbo-prop business is that regional airlines are tending to trade up their turbo-prop aircraft for jets.

Overall, BAe is confident its commercial aircraft operations – which turned over £1.6bn last year – will be profitable by 1997, largely because of the contribution from its 20 per cent stake in the Airbus consortium. Airbus is already contributing profits and these are expected to grow as it delivers more high-value wide-body aircraft.

New Look margins grow to 16.9% in first half

By David Blackwell

Operating margins at New Look, the women's wear chain, grew to 16.9 per cent in its first half, the pathfinder prospectus showed yesterday.

The 224-shop chain, which hopes for a market value above £150m, made operating profits of £9.92m on sales of £58.7m in the six months to September 24. In the year to the end of March, when operating margins were 12.5 per cent, operating profits were £11.1m on sales of £88.4m.

Mr Tom Singh, founder and deputy chairman, said the group was well on course for sales of more than £100m this year. Sales per square foot were £449 in 1993-94, up from £299 in 1989-90.

He attributes the growth, among other factors, to a stock turnover rate of more than 15 times, compared with a sector average of eight times. More than 1.5m customers pass through the shops every week.

The group is wholly owned by the Singh family. About 35 per cent of the equity is coming to the market through a placing and intermediaries offer. Mr Singh will not be selling any shares. He will have about 9 per cent of the company after flotation.

The flotation will raise about £10m of new money, most of which will be spent on freeholds.

The prospectus shows that Mr Singh, the managing director and the corporate development director will be paid 2 per cent of any increase in net profits under a bonus scheme. Mr Singh said yesterday that the group was highly incentivised, with bonus schemes for all its workers, including the 71 per cent of staff who are part time.

Impact day is November 3 and dealings are expected to begin on November 18. Sponsors are J Henry Schroder Wagg and brokers James Capel.

Kelt Energy buoyed by lower interest

A sharp reduction in interest charges helped Kelt Energy, the oil and gas producer and explorer, increase interim profits in spite of lower oil prices.

Profits after tax for the six months to end-June rose from £2.54m to £2.77m after a reduced interest charge of £523,000 (£1.05m).

Strong operating cashflow enabled the company to repay fixed interest loans of $15.2m (£9.6m) and $6.97m and to reduce gearing to 4 per cent (9 per cent) in spite of acquisitions in Gabon and heavy investment in its Colombian wells.

Turnover was down at £15.6m (£18.2m), with the profit improvement being achieved in spite of oil prices on average $3 per barrel (15 per cent) lower than in the first half of last year. The price fall was, however, partly offset by higher production, with daily output running 17 per cent above that achieved last year.

Earnings per share were unchanged at 1.8p.

Ross tumbles to £15,000 as costs of restructuring bite

By Heather Davidson

Restructuring costs of £500,000 reduced pre-tax profits at Ross Group, the consumer products and technical services company, from a restated £602,000 to just £15,000 for the six months to June 30.

The shares closed 2p down at 8½p.

Turnover of continuing operations rose by 41 per cent, from £22.9m to £32.3m. Operating profits fell from £1.83m to £32,000.

The technical services division suffered "significant losses", which would continue into the second half, said Mr Noel Hayes, chairman.

The company had recently won two contracts for test rigs, the benefits of which would be apparent in the 1995 results.

Stiff competition and small margins, together with the costs of integrating three businesses into one site at Bolton, depressed profits in the consumer products division.

Better news came from the Powercords division, which makes plug-in power supplies for mobile phones, said Mr Hayes. Tadmod was expected to increase turnover by 75 per cent in 1994, and Ross was anticipating a further 35 per cent increase for 1995. The group is targeting Asian markets through Accom, its joint venture company in China.

The group also disposed of Traveller, its travel accessories company.

Losses per share came out at 0.04p, compared with earnings of 0.29p, and there is no interim dividend (0.2p). The company will not make a decision on a final dividend until the end of the first quarter of 1995.

Geared Income

Geared Income Investment Trust net asset value was 98.89p per share at September 30, compared with 97.71p a year earlier.

Net revenue for the six month period slipped to £778,519 (£901,497) for earnings per share of 3.42p (4.1p). An unchanged second quarterly dividend of 1.75p is declared.

Division's $2m step into electronic entertainment

By Alan Cane

Division, one of a small group of public companies specialising in virtual reality technology, has taken its first step in the entertainment business.

It will announce today a $2.3m (£1.45m) order from Virtual World Entertainment of Chicago, which is pioneering a form of entertainment centre. The VWE order marks Division's first success in an area with great potential for virtual reality companies.

VWE specialises in electronic entertainment for 18 to 35-year-olds. Its centres follow the theme of a battle between robots or a race beneath the surface of Mars.

The idea is to create an electronic equivalent of the setting where social ambience is as important as the game, as with a bowling alley, for example. Electronics supplied by Division will improve the realism.

Its principal market to date has been the engineering sector. Its largest customer is Matsushita Electric of Japan, for which it built a system that simulates a kitchen complete with white goods. It recently sold a system to McDonnell Douglas which simulates the engine and engine bay of its F/A-18 fighter aircraft.

Survey reveals average 8.5% increase in directors' pay

By Richard Wolffe

Directors' pay rose by an average 8.5 per cent this year, more than six percentage points above inflation, according to a survey published yesterday.

Chief executives, directors and senior executives earn an average basic salary of £109,030, increasing to £183,787 when bonuses and other benefits are included.

The survey, by actuaries Bacon & Woodrow, of 954 directors in 126 companies, also revealed a widening pay gap between small and large businesses.

Directors at companies with turnover of more than £1.25bn enjoyed a 10 per cent pay rise, compared with 6 per cent for those at companies with less than £125m turnover.

"Our survey data shows that directors' earnings differentials are widening between the successful and the struggling companies, as performance-related pay becomes a larger part of the remuneration mix," said Mr Keith McNeish, pay and benefits consultant at Bacon & Woodrow.

The salary gap between executives has also increased over the past 12 months, with the differential between chief executives and their senior executives rising from 136 to 170 per cent.

Chief executives, whose average total pay package now stands at £351,280, have resisted institutional pressure to move away from three-year rolling contracts.

In a telephone survey of the FT-SE 100 companies, more than half said their chief executives worked under three-year contracts, which can command huge severance payments.

Almost two thirds of those companies stated they had no intention to reduce the length of contracts, despite a high profile campaign by leading investment institutions.

The survey revealed that the UK's average director is aged 48 and male. Of the 954 executives surveyed, just 32 are female.

Directors' TRP survey 1994. Bacon & Woodrow. St Olaf House, London Bridge City, London SE1. £600.

Chief executives: the total package

	Average £	Receiving %
Basic salary	207,576	100.0
Pension	52,198	95.5
Life assurance	5,104	98.2
Company car/allowance	15,879	97.3
Private fuel	1,468	71.8
Medical insurance	884	96.4
Permanent health insurance	2,662	48.4
Extra holiday#	5,847	52.7
Subsidised loans	4,005	13.6
Other benefits	7,529	21.8
National insurance contributions	24,884	100.0
Bonus payments	59,320	88.2
Total	351,280	

#Expressed as cash value of holidays beyond 25 days a year

Comparative remuneration packages**

	Under £50k	£50-£75k	£75-£100k	£100-£150k	£150-£200k	£200-£250k	£250k+
Chief executive	-	-	8	25	11	13	55
Director	4	42	84	140	79	55	83
Senior executive	11	49	104	124	49	12	8
Total	15	91	194	289	139	80	149

**Sample is 954 executives including 110 chief executives. Figures show totals of individuals in each band.

Hobson continues CWS rationalisation with further sales

By Peter Pearse

Hobson, the homecare and food products group, yesterday announced a further series of rationalisations of the food manufacturing business of the Co-operative Wholesale Society it bought for £111m in April.

The group will receive some £11.1m cash, but costs, including write-offs, will amount to £7.5m.

It has sold, to HL Foods, the plant and machinery of FE Barber's cannery operations in Lowestoft, Suffolk, for £200,000, and its contracts and stock for £9m cash.

It has also sold – to Pura Food Products, a subsidiary of Acatos & Hutcheson, the edible oils group – the plant and machinery of its oils and fats operation for £950,000. Pura has paid £2.08m for the contracts and stock.

As already announced, Hobson has closed the Lowestoft cannery with the loss of 350 jobs. Its oils and fats operation in Irlam, Greater Manchester, is also to be closed and relocated to London with the loss of a further 120 jobs. This will take the CWS jobs lost since the acquisition to 600, or about 40 per cent of the ex-CWS workforce.

In the year to January 8, the cannery made losses before interest and tax of £691,000 on sales of £39.5m. Net assets at that date were £15.8m. The operation has continued to be lossmaking.

The oils and fats operations, which had assets of £2.1m at the year end, incurred losses of £235,000 before interest and tax.

COMPANY NEWS: UK

BAe shares rise 28p on market speculation about bid from GEC

VSEL advances to £30.2m

By Bernard Gray

VSEL, the Berrow-based submarine maker and target of an agreed bid from British Aerospace, yesterday announced a 5 per cent rise in pre-tax profits from £28.8m to £30.2m for the six months to September 30.

The results were hurried out to coincide with the publication of BAe's offer document.

BAe's bid offers 2.747 of its shares for each VSEL share with a cash alternative of £11.40.

At BAe's closing price, up 28p to 498p, the bid values each VSEL share at £13.68 and the company at £518m.

BAe shares had risen on market speculation that GEC might bid for it. VSEL shares did not follow, however, and closed down 2p at £13.23. GEC has declared that it is e possible bidder for VSEL.

The offer document includes details of VSEL's results. In its last full-year statement the company predicted that its 1994-95 profits would be similar to last year and trading profits for the first half were £24.4m compared with £24.7m. Turnover declined from £233.2m to £194.7m.

Interest income on the company's cash pile has increased from £4.1m to £5.8m, lifting the pre-tax result.

The interim dividend is increased from 10.5p to 12p, payable from earnings of 52.5p (49.3p) per share.

The document says that trading continues to be in line with the board's previous forecast.

The document also confirms thet Lord Chalfont, VSEL'e chairman, will become an adviser to BAe until next July if the recommended offer goes ahead.

Mr Noel Davies, the chief executive, will also be a consultant to BAe during the handover period.

Information made availeble to BAe in the course of discussions is expected to be made available to GEC in the next day or so. Any GEC bid would be for cash, and it would take the company some days to assess information provided by Morgan Grenfell, VSEL's bankers.

BAe is to hold an extraordinary meeting on November 2 to approve the takeover bid. Proxy votes must be registered by October 31.

BAe forecasts that its total dividend for 1994 will be not less than 10p, an increase of 20 per cent on the previous year.

The offer document also discloses that VSEL is in e legal dispute with British Shipbuilders, from which it was privatised in 1986. VSEL would be obliged to pay British Shipbuilders (a government-owned company) an additional amount if its profits rose above a certain level after privatisation.

The dispute could cost VSEL up to £40m, but the company is fighting the claim.

Acquisitive MY leaps to £4.5m

By Richard Wolffe

MY Holdings, the packaging group, pledged to continue its acquisitions strategy after announcing an 80 per cent rise in pre-tax profits for the year to August 27.

The company, which spent £23.3m acquiring four packaging businesses this year, increased pre-tax profits from £2.51m to £4.51m on turnover up 46 per cent to £51.2m (£35.1m).

Mr John Monks, chief executive, said the company was considering another share issue to fund acquisitions this year. In February, the group raised about £23m through a placing which more than doubled its market capitalisation.

"This year's acquisitions are not the end of the etory. We are only at the beginning," he said.

"We like healthcare and would like further expansion in that sector. We are also looking to continue our expansion of specialist corrugated activities, and would like to fill in gaps in our geographical spread. We do not really have anything in the Midlands and the west country, and the Scottish market would be very interesting to us."

However, the directors warned that operating margins, which increased from 7.6 to 9.4 per cent last year, would come under pressure from price rises for its pulp and paper raw materials.

Turnover on continuing businesses rose by 13 per cent to £39.8m, desplte e poor performance by Trondex, the moulded cushlon packaging business.

Stripping out acquisitions, operating profit grew 12 per cent to £3m.

Interest costs increased from £164,000 to £301,000 as the group raised its borrowing for cash acquisitions and capital investment. Gearing rose from 4.2 to 16.3 per cent.

Earnings per share grew 16 per cent to 4.52p (3.91p), as the number of shares doubled.

The board recommended a final dividend of 1.1p to make e total of 1.6p (1.25p) for the year.

Acorn slides £1.98m into red as schools tighten spending

By Alan Cane

Acorn Computer Group, the dominant supplier of school computers in the UK, lapsed into the red at the halfway stage as changes in education spending patterns and the cost of new initiatives took their toll.

Turnover was flat at £23.7m (£23.6m). The deficit amounted to £1.98m against a pre-tax profit of £305,000 and losses per share came out at 3.2p (0.5p earnings).

Mr Sam Weuchope, managing director, said the first half was affected by changes in the pattern of education spending as budgetary control and financial management were devolved to schools.

Customers had also delayed purchases in anticipation of the launch in April of the Risc PC, Acorn's new top-of-the-line offering. At the perlod end there was an order backlog of more than 2,000 Risc PC systems.

The USM-traded group now comprises three companies: Acorn Computers, Advanced Risc Machines, designer of the ARM family of low power consumption microprocessors in which Acorn has a 47 per cent stake, and Online Media, a new division established to exploit the emerging market for interactive multimedie. Online Media incurred an operating loss because of start-up costs. ARM made pre-tax profits of £1.2m in the first half, of which Acorn's share was £499,000.

Mr Wauchope said Risc PC was proving a success and was confident Acorn would return to profit in the second half.

Forward Tech recovery continues

Forward Technology Industries continued the recovery seen in the second half of last year and reported pre-tax profits of £340,000 for the half year to June 30, compared with losses of £1.23m.

The company produces specialist machinery for plastic assembly, precision cleaning and lamp making, largely overseas, while the main UK activity is the reproduction of audio and video cassettes.

Turnover advanced to £21.7m (£20.1m). Earnings per share were 0.8p (3.6p losses) and the interim dividend is 0.5p (nil).

WMI rises 11% in third quarter

By Peggy Hollinger

Weak prices reined in profits growth at Waste Mangement International, the UK quoted arm of WMX Technologies of the US, which yesterday announced an 11 per cent improvement in third quarter pre-tax profits.

Mr Nigel Wilson, of WMI, said the group was disappointed following e mixed third quarter performance, in spite of strong sales growth.

Pre-tax profits rose from £38.9m to £43.1m on sales 23 per cent ahead to £288.8m. Profits for the nine months rose 14 per cent to £125.4m on sales np 20 per cent to £831.7m.

Revenue growth in the quarter was due in roughly equal measure to acquisitions and underlying volume gains. About 3 percentage points of the sales improvement was down to price increases.

Mr Wilson said operating margins had slipped from 16.8 per cent to 16.2 per cent in the quarter.

This was partly due to problems in Italy, which is WMI's single largest market with 26 per cent of its total sales. Municipal customers in Italy were renegotieting contracts at prices of between 10 and 20 per cent below existing arrangements. These reductions would have to be recovered through prodnctivity improvements.

The company also suffered from a poor performance in the highly competitive French market. Mr Wilson said volume at some group landfills was running at abont two thirds of peak levels.

WMI said it was pleased with volumes in the UK, and it was beginning to see some signs of the "significant price increases" being talked abont in UK landfill.

Mr Wilson said WMI was comfortable abont prospects in the UK market, even if Browning-Ferris fndustries, the large US waste services group, wins its hostile £364m bid for Attwoods. Such a major force could bring "further support for stronger regulation," which would improve the market, the company said.

In the Asia/Pecific region, WMI enjoyed good growth in Hong Kong, e higher margin business which would also benefit in 1995 from the landfill opened last week.

WMI has spent £40m on 35 acquisitions so far this year. Earnings rose by 6 per cent to 7.2p for the quarter.

Analysts are forecasting annual profits of abont £175m this year, with significant improvements from European recovery and east Asia feeding through in 1995.

Richards Group jumps to £0.12m

Richards Gronp, the engineering concern, doubled pre-tax profits from £62,000 to £120,000 in the six months to June 30.

Turnover moved ahead from £6.38m to £8.23m.

Mr John Crabtree, chairman, said Steel Snpports was making inroads into the European and overseas power generation markets, while Richards Engineering had secured its first snbstantial order in the expanding Chinese market.

The interim dividend is held at 1p, payable from earnings of 1.07p (0.55p) per ehare.

Audax Properties

Andax Propertiee, a wbolly owned subsidiary of Value and Income Trust, donbled pre-tax profits from £54,000 to £110,000 for the half year to September 30.

There was a realised loss of £24,000 (£20,000) on disposal of properties. Earnings per share for the period amounted to 132p (50p).

Strong overseas growth helps Farnell to £28.7m

By Paul Taylor

Ross Parry

Howard Poulson: growth will focus on higher margin business

Farnell Electronics, the components distributor and manufacturer, reported sharply higher interim profits and turnover, reflecting strong overseas growth and the £41m acquisition of the Multicomponents distribution business.

Pre-tax profits for the six months to July 31 increased by 36 per cent to £28.7m (£21.1m). Turnover grew by 77 per cent to £261m (£147m); underlying growth was 13.5 per cent.

"Overseas growth was particularly strong," said Mr Richard Hanwell, chairman. Both the high volume distribution and the low-volume catalogue businesses improved profitability overseas, he said, "demonstrating the success of offering customers a pan-European service".

The Multicomponents operations, renamed Farnell Electronic Services, added £93.7m to turnover in the first half and £3.2m to operating profits, which increased by 40 per cent to £29.8m (£21.3m).

Overall, the overseas FES operations doubled profits on sales up 15 per cent. In the UK, sales volumes at FES increased by 11 per cent bnt margins remained under pressure.

Farnell Electronic Components reported a 22 per cent increase in profits on sales 12.3 per cent ahead.

The UK operations achieved steady sales growth while overseas sales were up by more than 40 per cent.

Particularly strong sales of power supplies for the telecommunications sector helped the group's manufacturing operations to increase sales by 26 per cent, but results from Farnell Instruments were "disappointing".

At the end of July the group had net borrowings of £8.67m, equivalent to gearing of 7 per cent.

Interest costs totalled £1.07m (£138,000), reflecting borrowings undertaken to finance the purchase of Multicomponents.

Earnings per share grew by 36 per cent to 14.3p (10.5p). The interim dividend is increased by 19 per cent to 3.8p (3.2p).

Mr Harry Elstone is to step down as finance director, although he will remain on the board. He is succeeded by Mr Andrew Fisher.

Mr Bob Horton, chairman of Railtrack, and Mr Barry Bramley, a director of BAT Industries, are both joining the board as non-executives.

● COMMENT

Once again Farnell has produced a strong underlying performance, justifying its decision to expand its overseas operations. Following a recent etrategic review undertaken by Mr Howard Poulson, the chief executive, the company intends to focus future growth on the higher margin catalogue distribution business and is particularly interested in expanding in the US or east Asia – possibly through acquisition. Pre-tax profits should climb to about £62m this year, producing earnings of about 30.5p. At 531p, the ehares are trading on a forward multiple of 17.4 – a small discount to competitors such as Electrocomponents – and well below their 12-month peak of 653p.

BS back to black with £0.4m and returns to dividend list

By Roland Adburgham, Wales and West Correspondent

BS Group, the property and leisure group formerly called Bristol Scotts, has returned to profit for the first time since 1988 and will resume dividend payments.

The shares rose 12p to 200p.

Pre-tax profits were £429,000 in the six months to June 30, compared with a deficit of £116,000 last time.

The interim dividend, the first since 1989, is 3p, payable from earnings of 6.87p (losses of 1.86p) per share.

Turnover expanded by a quarter to £5.41m (£4.31m) and margins increased slightly. The improvement, however, largely reflects the disposal of its lossmaking restaurants.

The board is engaged in a prolonged power struggle which saw Sir Ian Rankin replace Mr Anthony Kerman as chairman in August. The Kerman family controls a quarter of the company and is understood to have been recently epproached by Scotts Holdings, a Singapore property company. Sir Ian, who is seeking to widen the BS share ownership by attracting institutional investment, is opposed to any sale of the entire Kerman stake to the Singapore group.

Mr Kerman did not comment yesterday on the family's intentions.

Sir Ian said the group's liquidity had been greatly improved with the elimination of short-term borrowings and the creation of cash reserves. "The company, having weathered the financial storm created by its London restaurant businesses, is now ideally positioned to take advantage of the numerous opportunities which are presenting themselves both in leisure and property."

NEWS DIGEST

Riva loss deepens to £629,000

Increased pre-tax losses of £629,000, against £425,000, were announced by Riva Gronp, the USM-quoted supplier of electronic point of sale eystems, for the half year to June 30.

The result was in line with expectations, said Mr Peter Giles, chairman. Revenue was etable but, in common with the industry, there were declining hardware margins.

He said the outcome for the year was sensitive to volumes in the last quarter but was not expected to show a significant improvement on the first half.

Turnover edged aheed to £27m (£26.4m). Losses per share deepened to 2.5p (1.9p).

BMSS ahead

BMSS, the USM-quoted builders' merchant, saw pre-tax profits rise by 39 per cent from £207,000 to £287,000 in the six months to July 31.

Although margins remained under pressure, the result reflected e modest improvement in activity levels in the construction industry.

Turnover improved 25 per cent to £9.41m; the company said the second half had started encouragingly with sales showing a significant increase over last year.

Earnings per share climbed to 2.4p (1.7p) and the interim dividend is raised to 2p (1.5p).

Shaftesbury buys

Shaftesbury is expanding its property interests in London's West End to Carnaby Street.

The company is paying Berkeley Hambro £9.75m cash for a block of 11 freehold shops and restaurants, with offices, et the corner of Carnaby Street and Beak Street in Soho. Covering a total of 47,000 sq ft the block currently produces an annual income of £785,000.

Pioneer buy-out

Montagu Privete Equity has arranged a £10.2m management buy-out of Pioneer Exhausts, the Stoke-on-Trent manufacturer of replacement systems for the principal car makers.

Pioneer has grown steadily since it was founded in 1980. It makes about 200 different parts for 130 popular car models. Its sales are mainly to independent garages and local/regional distributors and motor factors principally for Ford, Vauxhall and Rover models.

Funding for the deal will come from MPE and Royal Bank Development Capital.

Saville Gordon

J Saville Gordon Group, the property investment concern, said it was e member of Northern Netural Resources, which in turn is a member of Mining (Scotland), the preferred bidder for Scottish Coal.

It has agreed to subscribe up to £3m by way of equity capital if the bid is successful. That would represent about 10 per cent of Mining Scotland's equity. JSG's investment in Northern Natural Resources was £11,700.

Kingfisher

Kingfisher, the retail group which includes the B&Q DIY chain, announced that the Paris Bourse quotation for Etablissements Darty, the electrical retailer it acquired last year, has been suspended as its Financiere Darty subsidiary is considering exercising its power to acquire the outstanding 2 per cent of shares which it does not already own.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BMSS ......int	2 §	Dec 2	1.5	-	3
BS ......fnl	3	Dec 1	nil	-	nil
Farnell Elect ......int	3.8	Dec 5	3.2	-	7.4
Forward Tech ......int	0.5	Nov 30	nil	-	0.25
Geared Income ......int	1.75‡	Nov 30	1.75	-	8.075
Highland Dist ......fin	5.5	Jan 12	5	7.26	6.e
MY Holdings ......fin	1.1†	Jan 23	1	1.6	1.25
Richards ......int	1	Nov 28	1	-	2.25
Ross ......int	nil	-	0.2	-	0.4
VSEL ......int	12	-	10.5	-	34

Dividends shown pence per share net except where otherwise stated. †On increased capital. ‡Second quarterly, making 3.25p (same) so far.

FINANCIAL TIMES SURVEY

FRAUD: PREVENTION AND DETECTION

Tuesday October 18 1994

The first national fraud forum this week comes at a time when the incidence of this crime in business is rising steadily. **Robert Peston** reports

Focus on financial crimes sharpens

The first national fraud forum, bringing together representatives of the police, regulatory agencies, and private sector investigators, is being held this week.

The three-day event, organised by the Association of Chief Police Officers (Acpo), will bring together all groups interested in the fight against this growing crime for the first time, to discuss how to improve prevention and investigation procedures.

It comes, moreover, at a time when companies and the government are increasingly aware of the penalties of failing to implement effective procedures to prevent fraud.

The government has this year been considering introducing plastic identity cards to replace benefit books, in an attempt to save some or all of the hundreds of millions of pounds lost every year in social security fraud.

Meanwhile, a growing number of companies has implemented much tighter internal auditing procedures, in a bid to detect possible frauds at a much earlier stage.

Fraud comes in so many different forms – from the company director who uses company funds to take his partner on holiday to the wholesale theft of hundreds of millions by the corrupt Bank of Credit and Commerce International – that it is notoriously difficult to define.

It is not explicitly described in criminal law, but in practice it is treated by the authorities as a sophisticated form of theft, usually involving deceit to obtain funds. Prosecution is normally carried out under the 1968 Theft Act.

Detailed statistics on the national scala of fraud are equally elusive, but Network Security Management, the fraud investigation business controlled by the merchant bank Hambros, estimates that companies on average lose between 2 per cent and 5 per cent of their turnover as a result of fraud.

An attempt at obtaining more precise statistics has been made by the investigation arm of accountants, Ernst & Young. Its survey in 1992 of 100 companies, covering most industrial and commercial sectors, found that 24 per cent had reported a fraud costing more than £250,000 at least once in the previous two years and that 30 per cent had reported a fraud exceeding £50,000 in the same period. More than a third had suffered a fraud but not notified the authorities.

Banks in particular have been particularly reluctant to report frauds, fearing publicity would damage the confidence of their customers.

Ernst & Young has recently completed another survey of these 100 companies: 98 per cent believed that there had either been no diminution, or a rise in the incidence of fraud over the past two years.

In its assessment of reported frauds KPMG Peat Marwick's fraud investigation unit identified 27 significant cases involving the attempted theft of £254m in the first six months of 1994, a larger number than in the whole of 1991.

These increases are perhaps surprising, since the level of fraud which comes to light usually rises as the economy goes into recession, falling back again as the economy recovers, as at present.

There are probably two reasons for tha counter-cyclical trend. First, a company hit by tougher trading conditions may resort to fraud to prop itself up – the motive widely ascribed to tha late Robert Maxwell for his decision to plunder his companies' pension schemes. Second, honest companies facing tough times may examine their costs more closely – and in the process detect hitherto hidden frauds.

The specific types of fraud showing the greatest increases, according to Detective Superintendent John Probert and other experts, are insurance, mortgage and banking frauds, such as advance fee fraud.

All three are simple in concept. Mortgage fraud, for example, usually involves overstatement of the purchase price of a property, so that a bank or building society lends more than tha actual price – with the difference being pocketed. Earlier this year, charges alleging a £100m fraud were brought against one group of development companies after a three-year investigation.

The apparent abundance of work has led to a sharp increase in the number of private sector firms involved in giving advice on prevention, as well as the detection and recovery of lost funds. As a result, the market has become far more competitive.

At the same time, the services offered by some less scrupulous firms – and the methods they use – threatens to sully the image of all. Some agencies advertise openly that they can obtain confidential details of bank accounts, credit card records or medical information, for modest fees.

However, for police fraud squads the greatest challenge is how to do the job effectively while having to compete against other policing priorities for increasingly scarce resources.

There are 850 officers involved in fighting fraud throughout the UK, with the biggest single unit, the London-based Metropolitan Fraud Squad, employing 150 policemen and a further 40 people in support services.

The Metropolitan Police Fraud Squad, working in partnership with other agencies, and with an annual budget of £10m last year, recovered more than £20m in cash and securities obtained by fraudsters, compared with £10.6m in the previous year.

The Met claims to have prevented frauds worth £6.57bn in the twelve months to March 31, 1994. However, this figure is slightly misleading because it includes one unusually big case: a £6.5bn attempted fraud on the Agricultural Bank of China.

Persistent and widespread criticism of the Serious Fraud Office, which was set up in 1988 to lead the battle against the most complex and substantial forms of financial crime has to some extent undermined morale in the official fraud agencies. The SFO was given large financial and staff resources including lawyers and accountants as well as policemen.

Because the government believed that the fight against fraud presented very different challenges from those presented by other kinds of crime, the SFO was made independent of the Crown Prosecution Service, handling both investigations and prosecutions. Detection has remained, however, the responsibility of the police and City of London regulatory authorities, such as the Stock Exchange and the Bank of England. The SFO was also given unique powers in Section 2 of the Criminal Justice Act 1988 to remove a suspect's right to silence and compel witnesses to give evidence.

However, its handling of some high-profile cases – notably the Blue Arrow trial and the prosecution of the financial services salesman, Roger Levitt – has been clumsy, and its future is under review by the government. Officials believe it could be merged with its less glamorous sister, the Fraud Investigation Group, under the umbrella of the Crown Prosecution Service. An announcement is likely before the end of the year.

The multi-disciplinary approach which the SFO applies – combining the skills of police, accountants and lawyers – is likely to be increasingly adopted by agencies and firms involved in the fight against fraud, whether they are private sector or public sector.

Building those bridges between different institutions with their different skills will be the focus of the forum this week.

According to some experts, such co-operation between the police and private sector firms could one day lead to privatisation of some of the fraud squads' activities.

Money Laundering: **Ian Rodger** discusses reasons why the frequency of this crime has increased

Greater alertness uncovers more cases

Money laundering has suddenly become among the most frequent of crimes being attacked by law enforcement officers and politicians.

Scarcely a week goes by without a fresh call to action being issued against this most discreet of crimes.

And scarcely a week goes by without a new case of money laundering coming to light or being prosecuted. It even figured in the recent macabre case of more than 50 religious cult-related deaths in Switzerland and Canada.

The two trends are of course related. The increased focus on the problem has made banks and law enforcers more sensitive to it, thus leading to greater surveillance and more discoveries.

According to recent estimates by US and UK officials, the amount of money laundered every year amounts to roughly $500bn. This money is the fuel that keeps organised crime going and growing, mainly in support of the international drug trade but also for various other sophisticated crimes, from insider trading to the traffic in nuclear materials.

The attack on money laundering only became serious in the 1980s, mainly because of the expanding drug business. And there are still several loopholes or weak points within the international financial system, some of them bizarre.

For example, in the US, which probably still tops the world money laundering league table, a 1970 Secrecy Act requires financial institutions to report suspicious transactions. But wire transfers, the most common form of transaction, are excluded from this requirement.

In theory, money laundering should ba relatively easy to prevent. If banks and other financial institutions deal only with customers they know and if they monitor carefully certain types of potentially suspicious transactions, they ahould be able to keep out big-time financial criminals.

That is the rationale behind a plethora of guidelines and recommendations that have been issued by various international organisations in recent years.

Starting in 1988, the Basle Committee on Banking Regulations and Supervisory Practices issued a recommendation calling on banks to make "reasonable efforts" to determine the true identity of customers.

It has been estimated that the amount of money laundered annually is $500bn

The following year, tba group of seven leading industrial countries set up a Financial Action Task Force to study ways of curbing money laundering. FATF has since established guidelines for national financial systems and carried out audits of several leading countries.

A European Council 1991 directive on the prevention of the use of the financial system for the purpose of money laundering came into effect throughout tbe European Union at the beginning of last year. It obliges all financial institutions to know the true identity of their clients and to report any suspicious transactions to the police.

Money launderers tend to use large financial centres or tax havens to try and disguise routes to the sources of their earnings.

It is in places such es Switzerland, the City of London or New York that they are likely to find a few bent bankers willing to help them.

In an attempt to preserve their reputations, these centres have been among the most aggressive in introducing laws and guidelines to prevent money laundering.

The Swiss Federal Banking Commission, for example, issued detailed guidelines in 1992 outlining no fewer than 30 specific transactions – withdrawals, purchase of drafts, transfers or excessive cash movements – that should be regarded as suspicious.

This year, a new law has broken the conflict between Switzerland's bank secrecy provisions and criminal investigations. Bankers may now report substantial suspicions of criminal activities by their clients to state prosecutors. This is, in fact, tantamount to an obligation. Failure to do so would be regarded by the banking commission as negligence.

Switzerland has also made insider trading, money laundering and membership in a criminal organisation criminal offences, thus bringing them within the orbit of crimes on which it is willing to co-operate with law enforcers from other countries.

With this sort of tightening occurring in most western countries, the focus has in the past conple of years moved eastward and southward.

Money launderers were quick to realise that the former Warsaw pact and Soviet Union countries, with no experience of financial markets and with a desperate need for hard currency, were easy victims.

The FBI and Scotland Yard is tightening the noose on the tax havens of the Caribbean

There is also believed to have been a large flow of ill-gotten funds from former Communist officials to western banks.

In June, Treuhandanstalt, the industrial reconstruction agency for eastern Germany, launched a civil action in Zurich against the Swiss subsidiary of Bank Austria.

It claimed that agents of the former East German Communist Party stashed Sch1.76bn ($162m) there in the spring of 1991 as the German Democratic Republic collapsed. Bank Austria, Austria's largest bank, has denied the charges.

In September, EU finance ministers met with their central and eastern European counterparts in Barlin and, among other things, urged the eastern countries to tighten their laws and regulations against money laundering.

Maanwhile, tha nooae appears to be tightening on the tax havens of the Caribbean. In January, the US Faderal Bureau of Investigation and Britain's Scotland Yard set up a joint task force to fight white-collar crime in the UK dependent territories.

The British Government has also recently reprimanded Gibraltar for not implementing the EU directive on money laundering.

Such is the momentum that several speakers at an international symposium on economic crime at Cambridge University in England in September recommended that economic sanctions be imposed on countries that do not combat money laundering seriously.

The idea was backed by a number of delegates attending the symposium. John Moscow, New York's assistant district attorney, said: "It is an idea whose time has come."

All of this activity does not mean that money laundering is going to disappear in the near future. Even if new criminals are rebuffed by banks, it is going to take them soma time to clear their books of long-standing dubious customers.

This problem was highlighted by a case earlier this year in which a $150m account of a suspected Colombian drug dealer came to light at the Union Bank of Switzerland. It had remained undetected for several years partly because there had been very few transactions into or out of it.

The former Soviet Union: **Jimmy Burns** on fears of money laundering

Mafia gangs target the west

There are increasing fears among regulators and law enforcement agencies that ao-called Russian Mafia networks may be penetrating western financial systems with the object of laundering their illicit cash.

The break-up of the Soviet Union has brought in its wake a huge flight of capital estimated by senior bankers to be as mnch as $1bn a month. It has also led to a proliferation of gangs involved in financial corruption and illegal trade whose operations threaten to extend well beyond the former Soviet Union states.

These fears were voiced in July this year by Albert Pacey, the director-genaral of the UK's National Criminal Intelligence Service, during a visit to Moscow and in evidence to a House of Commons committee.

British police believe that altbongb Russian gangsters are most active in eastern Europe and Germany, tbere are indications that they may move their operations to other parts of western Europe.

The National Criminal Intelligence Service (NCIS) refuses to discuss specific cases. However, last year under new regulations requiring banks and other institutions to report "suspicious financial transactions", there were 13,000 cases reported to NCIS of which 200 involved Russians.

"That is not a large number, bot wbat distinguisbed tbe Rnssian cases were tbe amonnts involved – from £500,000 to several million pounds," says Mr Pacey.

An NCIS briefing paper earlier this year states that "the nations of eastern and central Europe and the former Soviet Union have enormous potential to impact significantly upon Europe and the United Kingdom . . . tbe situation in the Russian Federation continues to give particular cause for concern."

According to NCIS, the significance of the UK in terms of criminal groups emanating from tbe Soviet Union and eastern Europe is that "UK financial institutions, over a long period, are being used for the transfer of large sums of illicit funds".

NCIS identified four areas for potentially illicit transactions emanating from the former Soviet Union:

There are indications Russian gangsters may move their operations to western Europe

- Laundering of funds from "general criminal activity" including extortion;
- Laundering of funds involving trade in high-technology equipment;
- Laundering of funds from the sale of weapons, commodities, and precious metals, inclnding radio-active material; and
- The transfer to the west of former Communist Party funds.

Albert Pacey: situation in Russia is causing concern

The extent to which regulatory autborities in the west are managing to curb these illicit activities remain unknown. Theoretically, any unusual cash transfers to tbe UK emanating from the former Soviet Union shonld be brought to the attention of the Bank of England, whila Russian businessmen wishing to set up a trading operation in the UK are subject to immigration controls.

In practice, according to some senior bankers, some Russians may be taking advantage of areas such as the property business, which is not subject to significant institutional controls. They may also be using offshore centres to confuse investigators tracking money flows.

Some Russians may be taking advantage of areas such as the property business

Ray King, finance director of Chartwell International (UK), a financial consultancy firm which specialises in the former Soviet Union, says part of the problem for regulators in the west is identifying what amounts of Russian flight capital actually emanate from criminal activity.

"If yon are a western bank it is very difficult to know what the current rules and regulations ara regarding capital export from the former Soviet Union," says Mr King.

He believes that it is difficult to prove that any of the Russians who are investing in property in London or setting up trading companies are engaging in illegal activity "although there are clearly a few cowboys who are bending the rules".

There is certainly some evidence snggesting that the problem may be even graver. According to other banking sources, some trading companies in the UK have in recent months beeo approacbed by individuals in the former Soviet Union with known connections with the criminal fraternity wbo asked tbem to arrange for transfers running into several millions of pounds. Meanwhile, soma estate agents are thought to have refused to proceed with contracts with Russians after becoming suspicious abont the amount of money available and the dubious nature of references given.

Few money transfers, however, involve a direct transaction between the former Soviet Union and the UK. One area of concern to regulators is the financial offshore centre of Cyprua where nnmerons "brass-plate" Russian companies have been set up together with banks to facilitate hard currency deposits by businessmen and officials. There are suspicions that some of the Cyprus-based companies – with on-transfers to other financial centres such as Switzerland – are being used to launder illegal profits from activities such as arms smuggling, prostitution, and bogus trade deals.

Peter Marsh on the incidence of false accounting in the European Union

Exploiting the EU loopholes

Something is rotten in tbe rapidly evolving mega-state of Europe. The stale odour of systematic fraud is persistently leaking from investigations of the European Union's financial arrangements, but so far there has been little concrete remedial action.

Expert opinion is that up to 10 per cent of the EU'a budget of Ecu70bn ($87bn) a year is diverted to the wrong recipients either through fraud or improper exploitation of financial loopholes. The exact figure is impossible to calculate because most fraud is undetected. However, Lord Hunt of Tamworth, a former top-ranking UK civil servant who served as cabinet secretary and who is chairman of the House of Lords' European communities committee, does not dispute the 10 per cent figure.

Up to 10 per cent of the EU's annual budget of Ecu70bn is diverted to the wrong recipients

In July, Lord Hunt's committee issued a damning report on EU fraud which said: "We have increasingly come to the conclusion that most fraud in the EU bappens because tbe administrative procedures and financial controls are not lucidly defined by community legislation, and because the procedures and controls [in member states] are defective. There is no central responsibility in the European Commission for ensuring that new regulations and schemes are foolproof and this is far from being the prime consideration in the policy-making directorates (of the commission)."

Most fraud involving EU spending follows directly from the extreme complexity of the rules for channelling money from Brussels to member states for projects snch as infrastructure programmes or supporting food prices. This makes it relatively easy for fraudsters – who can range from highly organised criminal gangs to opportunist individuals taking occasional advantage of an EU loophole – to make a financial gain.

This can happen, for example, through a farmer applying for an extra subsidy on, say, a cotton shipment simply by filling in a form saying he has grown 10 per cent more than he really has. Behind many of the frauds discovered over the past few years have been such cases of falsified documentation, sometimes created witb the connivance of government officials in the state where the act is taking place. Indeed, a factor which may belp tbe freudster is that often the country where he or she is operating may see no particular advantage in combating the fraud. Tbe government involved may be willing to turn a Nelsonian eye to evidence of what is taking place on the grounds that the cash from Brussels is boosting the local economy whether or not it is being spent according to the letter of EU rules.

Lord Hunt: his committee issued a damning report on EU fraud

At the level of the European Commission itself, officials operate within a culture where it is the spending of money that is all important, not the monitoring of the extent to which the spending achieves agreed objectives. Operating along these lines, Brussels officials frequently become embarrassed when the subject of fraud crops up. In many ways they are as reluctant as are some member governments to discuss the incidence of fraud and bow to tackle it. This is becanse raising tbe subject may irritate the member government where the alleged fraud is taking place and may be seen to be against the co-operative spirit driving tbe union.

Italy is one of the focal points of fraud investigations. Italian prosecutors recently alleged that Filippo Galli, the head of the state organisation overseeing EU agriculture subsidies, tcok bribes from a big grain trader to ignore evidence of massive corruption. In one instance documented by Uclaf, the European Commission's anti-fraud unit, traders claimed a subsidy of Ecu76m ($94m) for a large shipment of wbeat which supposedly was kept in intervention storage in a government warebouse but which inquiries indicated did not exist.

In another recent case, sugar traders in Belgium are thought to have gained about Ecu6m in extra subsidies by claiming to have transferred a large quantity of this commodity out of the EU to states in the former Soviet Union, so qualifying for an export refund, whereas the sugar was really sold at high prices in Spain.

What is being done about EU fraud? Several moves are afcot, though the effect of tbese actions may turn oot to be fairly slight. Uclaf, which has a new director, Per Brix Knudsen, an energetic and outspoken Danish customs officer, is doubling its staff to 100 by tha end of the year and promises to be more diligent in detecting fraud cases and bringing miscreants to justice through co-operation with national anthorities.

Second, the EU's agricultural aid programme, which accounts for half the total EU spending and is thought to account for the lion's share of fraud, is being radically changed to cut down on subsidies overall and to change the direction of subsidies towards farmers rather than traders and proceasing companies where opportunities for false accounting are greatest.

Third, the Luxembourg-based Court of Auditors, the EU's financial watchdog, is becoming more eager to highlight cases of fraud or improper action. However, most of its deliberations and actions are kept secret. The court also lacks the self-confidence to take the initiative on big cases of fraud or financial mismanagement, and as a result its power to influence the broad picture on fraud is limited.

The Court of Auditors is becoming more eager to highlight cases of fraud or improper action

It seems that the efforts to improve the EU's far from impressive record on combating fraud can only really come from the centre, via the commissioners installed in Brussels by the member governments. Mucb will therefore depend on how the new crop of commissioners, easing into their positions over the next few months, approach a subject which is certain to command an increasing amount of attention from outside pressure groups and from taxpayers concerned that their cash is being misspent.

FRAUD: PREVENTION AND DETECTION III

Industrial espionage is a growing problem in business, says **Peter Marsh**

Is there a spy in your boardroom?

Is there a turner in the boardroom? This question, being increasingly asked by big and small companies around the world, has nothing to do with art collections but is concerned with the growing problem of industrial espionage.

Industrial espionage can be defined as virtually any technique aimed at taking a company's secrets. Although electronic surveillance or computer hacking more often grab the headlines, the most common form of industrial espionage is for a rival company to employ an insider – or a turner in the trade jargon - to give them inside information.

Industrial espionage is increasingly worrying executives in highly competitive areas of industry. High-tech businesses such as aerospace, engineering, computers and telecommunications are frequent victims but companies in other fields, where marketing or advertising strategies may be as important as new product information, are also suffering.

Behind the phenomenon is the large financial advantage that a rival company may gain from a timely insight into a competitor's product ideas or marketing plans.

"Why should a company spend £100m on research and development when it can gain the relevant knowledge from a rival for a much smaller outlay?" asks Peter Heims, a British security consultant.

According to Paul Carratu, managing director of Carratu International, a London-based fraud investigator, the most common form of industrial espionage concerns disaffected employees offering this type of information to a rival for a fee.

"More often than not you see the opportunist approach where the employee makes the information available via an intermediary such as a security company. It is less common to see the more direct approach where a rival goes out actively to seek the information through bugging or similar means," says Mr Carratu.

It follows, therefore, that the most sensible ways to try to stop industrial espionage are through common sense tactics that are really nothing more than an extension of good management. Among these are restricting access to sensitive product or marketing information; keeping a check on documents that could be of value to a rival; and trying to sort out personal problems involving employees before the person affected becomes so disgruntled that he or-she even thinks of starting to hawk secrets to competitors.

Of course, deciding on where to draw the line on potentially sensitive information may be highly tricky. There is a story much recounted among industrial espionage investigators of a company that, in the cause of improving communications with its employees, revealed detailed marketing information about a new product launch in its internal company newspaper several weeks before the product appeared. Not surprisingly, the details leaked out to a competitor and the company launched an industrial espionage probe which ultimately led to the dismissal of the newspaper's unfortunate editor.

The point underlines the fact that industrial espionage covers a wide spectrum.

One estimate of the extent of industrial espionage is that about half of all big companies may have had secret information leaked over the past decade by some form of espionage. The phenomenon is relatively widespread in the US, France and Italy, according to Mr Carratu. "There is less industrial espionage in Britain: in the UK it's thought not to be ethical to indulge in this kind of thing," he says.

Bug expert: Conrad Sandler, of Spy Catcher, displays equipment available in his shop

Understandably enough, most companies hit byindustrial espionage do not like to talk about it. But in recent years the businesses affected have included BP and Shell, which suffered as a result of outsiders gaining access to secret tender information for engineering contracts through the information leaking out via an unscrupulous marketing agent. Volkswagen and General Motors have recently been locked in a long-running battle over allegations by the US company that its rival "stole" secrets – allegedly channelled to the German car maker by the defection to Volkswagen of Jose Ignacio Lopez de Arriortua, a Spaniard who had been running GM's worldwide parts purchasing operations. SKF, the Swedish ball-bearing company, also recently suffered an embarrassing loss of its new product plans which was later traced to a disgruntled employee.

Electronic surveillance is a method frequently used by competitors to gain access to secrets. A rival boardroom can be bugged – perhaps using the services of a person contracted for this purpose who uses the "cover" of working for a cleaning company – with an instrument the size of a matchbox and costs no more than £100. Such devices, with tiny microphones and which transmit over perhaps a quarter of a mile, can be very difficult to spot if cleverly hidden.

Alan Cane checks the incidence of computer fraud

Networks open to hackers

Do not be surprised by the paucity of published examples of computer fraud. Perpetrators and victims feel it is in their interests to keep quiet. Financial institutions, in particular, do not relish admitting that their systems' security has been compromised.

Fortunately, the danger of "hackers" breaking into corporate computer systems is often exaggerated by the press and by security consultants; it is nevertheless real.

Philip Swallow, a specialist in security with Andersen Consulting, says: "Hacking is far from being a myth but neither is it endemic. Managers have to be aware of the risks involved. Computer fraud by its very nature can be difficult to detect."

The European Information Technology Observatory (EITO), an organisation of European IT companies, noted earlier this year: "With the increasingly pervasive usage of computers in all contexts and activities, the security of information and of the systems that manage the information is becoming of great importance."

EITO points to two important developments in recent years: the definition of security standards within the rules devised to allow computers from different manufacturers to work together (Open Systems Interconnect or OSI) and the establishment of criteria and rules for the security evaluation of information technology products.

A critical point is that computer security is relative. It is possible in theory to create a completely secure system, but cost and inconvenience would make it unattractive. The level of security implemented represents, therefore, a balance of business interests.

The diversity of ways of attacking a system lends itself to colourful descriptions. There are trap doors (part of the software written in such a way that the security of the system is compromised), Trojan horses (parts of the software written so the system performs unauthorised and covert operations), logic bombs (part of the software written to trigger an operation at a subsequent date) and masquerades or piggy backs where a fraudulent terminal pretends to have legitimate access to the system.

Most of these attacks depend on a corrupt member or members of the data processing department. Only a software specialist with intimate knowledge of a company's software would have the skill and opportunity to insert a trap door or logic bomb. Systems compromised by trap doors or logic bombs are difficult to detect: the very complexity of many systems makes it difficult to check every program and section of computer code.

Attacks on computer systems from the outside are increasing. In one survey in the UK, about a quarter of the companies questioned said there had been unauthorised attempts to gain access to their systems. The National Computing Centre in the UK estimates the average cost of a security breach to a company is £9,000.

Alan Stanley of the consultants Coopers & Lybrand says the most recent figures for the UK show that some 40 per cent of companies believe their systems have been hacked into, although the damage level is low. Some 13 per cent of mission critical operations had been compromised, but again, little damage was done.

Measuring the level of security afforded by a computer system has been simplified by the publication of evaluation criteria. The lead was taken by the US in 1983 with the Orange Book; it provides essentially a set of standard security measures for implementation by computer users each with an indication of the level of confidence afforded.

European users, however, have never been wholly satisfied with the Orange Book, arguing that it is chiefly geared to military systems. The European Union has now published its own set of criteria, the White Book, which EITO says "could be considered as the beginning of European standards for evaluating computer trust". It is, EITO argues, "one of the most significant events in the last decade in the European IT security scenario and it might cover the shortcomings and gaps of the Orange Book".

Trap doors, Trojan horses, logic bombs and piggy backs are all ways to attack a system

The White Book evaluates systems in terms of their functionality and effectiveness, with special reference to database management, process control, exchange data integrity, high confidentiality and high integrity environments.

The fact remains that computer systems, no matter how secure, greatly increase the possibilities for fraud. Funds can be moved virtually instantaneously anywhere in the world through computer networks. Is fraud on the increase? There is a simple, positive correlation between the level of fraud, the number of computers in use, the number of people who have knowledge of and access to computers and the number of terminals attached to computers.

The Internet, the world's largest computer network with more than 25m users, represents a special case. Designed as a channel of electronic communication between scientists and technologists, it was intended to be as accessible as possible. There is little in the way of built-in security. Earlier this year thousands of Internet passwords were stolen giving the thieves access to secret messages and files.

Now that commercial companies are taking an interest in the Internet for communications, the question of security is more than academic. Managers are becoming interested in electronic "firedoors", methods of preventing security lapses on the Internet from compromising their systems. An example would be a minicomputer controlling access to the Internet, collecting and authenticating messages.

Encryption is one way to make electronic messages secure but it is controversial. The US administration was forced to abandon efforts to introduce a special encryption chip, the "Clipper", which would have allowed pc users to protect themselves from hackers and fraudsters. Developed by the National Security Agency and the National Institute of Standards and Technology, its use would have allowed secret service personnel to decrypt the messages.

John Mason examines the effectiveness of the Serious Fraud Office

Track record raises doubts

The future of the Serious Fraud Office, set up in 1988 to spearhead the fight against financial crime in the UK, is highly uncertain.

Question marks over its track record recently prompted a government review which recommended a merger between the SFO and the lower profile fraud investigation group (Fig) of the Crown Prosecution Service (CPS).

If the review's conclusions are adopted, the SFO would be subsumed into the CPS. To some observers this would appear an admission that the original conception of an elite department to combat the most complex cases of financial fraud has failed.

The attorney-general, Sir Nicholas Lyell, is now considering the merger proposal. At the same time, he will decide on parallel proposals for both the SFO and CPS to be turned into executive agencies outside the civil service as part of the government's plans to streamline Whitehall. Sir Nicholas is expected to announce his conclusions on the proposed merger by the end of the year.

So what has gone wrong? The SFO was set up with unique powers and structure to bring an increased effectiveness to the investigation and prosecution of complex financial crime. Its brief is to tackle those cases which involve considerable sums of money (more than £5m) and are of a particularly complex nature.

Unlike the CPS, it handles both the investigation and prosecution stages – although detection remains the responsibility of the police and City regulatory bodies. Its multidisciplinary structure, in which lawyers, accountants and police are supposed to pool their skills, is intended to increase the effectiveness of its investigations. Finally, it was given unique powers in Section 2 of the Criminal Justice Act 1988 to remove the right to silence and compel witnesses to give evidence.

With these powers and structure, the SFO was supposed to be able to tackle complex fraud cases that had proved virtually impossible for police fraud squads working on their own to handle. However, as has been documented exhaustively in the press, the SFO's track record since its inception has been mixed.

Its initial success in the Guinness trial, when four prominent City figures were convicted over the 1986 takeover of Distillers, proved the high point.

Since then, headlines have been restricted to reporting failures such the Blue Arrow trial, after which the SFO was criticised by the Court of Appeal for the size and unmanageability of of the prosecution, and the fiasco over Mr Roger Levitt, the financial services salesman who served 180 hours' community service after agreeing to a widely criticised plea-bargaining with the prosecution.

Lawyers involved in defence and prosecution work agree that not all the responsibility for such failures should be laid at the door of the SFO. The legal system that the SFO has to operate within still has crucial failings in its ability to present fraud cases that are tried by a jury. For example, there is common agreement that within the judiciary there are all too few judges with the necessary experience of both commercial and criminal cases to handle such difficult cases.

Equally, George Staple, the SFO director, insists that efforts have been made to learn from previous mistakes, notably on bringing to court cases that are too large and unwieldy.

However, its past failings and the consequent bad publicity has proved highly damaging for the SFO. It has had its success stories – such as the four successful prosecutions which followed the large-scale investigation into the collapsed Bank of Credit and Commerce International – but these are less well reported.

The result has been that the SFO has found itself in a similar position to that of the beleaguered Child Support Agency – forced on to the defensive by a poor public image it is finding difficult to reverse. The question of public perception – rightly or wrongly acquired – is one that the attorney-general will have to consider. For the SFO to be effective, it is widely agreed, it has to be widely seen to be a credible organisation.

Perception aside, the initial review of the workings of the SFO and Fig concluded there are sound reasons for a merger of the two bodies. It found that there is considerable overlap in the work they carry out and that it is anomalous to apply different methods to what amount to very similar cases. This problem has been enhanced over the past year because the number and size of cases referred to the SFO has dropped significantly, leaving it to pick up smaller cases that would previously have been dealt with by Fig.

The review also found room for improvement in the management of both bodies. The SFO, it reported, was not fully exploiting its current systems and lacked formal management overview of important decisions.

It did, however, conclude that the "Section 2" powers removing the right to silence had proved an effective weapon.

Profile: KROLL ASSOCIATES

Wall Street's private eye

Kroll Associates, the world's leading corporate investigative agency, has not generally been shy of publicity. They have managed to present an image of a dynamic sleuthing operation, whose success has bred an impressive client list which includes governments and leading companies.

However, in recent months the agency's founder and majority owner, former New York prosecutor Jules Kroll, has been on the defensive, fighting off rumours of significant internal problems and creeping financial difficulties.

The suggestion of something approaching an organisational haemorrhage has been fuelled by a spate of high-level resignations and the threat of more to come.

In an interview published in the New York Times early in September, Mr Kroll blamed unnamed competitors for spreading false rumours about the financial condition of his company which, in turn, had provoked a round of crisis management at Kroll itself.

Most of those who have left say their reason for going was to set up their own smaller, private investigation agencies.

Mr Kroll and the remaining senior executives insist that the resignations do not signify the beginning of the end. In London, Kroll's senior man, Thomas Helsby, boasts of a "critical mass of experience" among its staff which can without difficulty absorb and overcome the temporary setback of the resignations.

Not only has Kroll managed to hang on to many of its talented investigators on a full-time and freelance basis, it retains what it considers one of its biggest assets: a highly developed in-house data system. As one competitor reluctantly conceded: "Kroll has a powerful armoury of research capability."

Mr Helsby, with characteristic bullishness, says: "Our business is growing and growing, adding on new things all the time. This office is having the best year it has ever had."

In New York, Mr Kroll has published figures showing that his company has remained profitable with a pretax profit margin of about 12 per cent. Revenues are expected to exceed $60m this year compared to $40m in 1990, with an increase in clients over the past four years of 78 per cent.

What Kroll executives are not prepared to counter with any conviction is the widely aired view held by its competitors that the agency may in one sense have fallen victim to its own success: its turnover is being badly dented by disputed debts on at least two highly publicised cases.

In August, it emerged in New York that Kroll was suing the family of the late Italian banker Roberto Calvi for non-payment of $3m. Kroll, which has filed a court action in the US, hopes it will recover the money as well as recoup the legal costs it will incur.

Rather more problematical is the non-payment of an even larger sum believed to stem from a contract with the Russian government. It is estimated the contract may have cost Kroll up to $4.7m.

The extent of the hurt caused by the setbacks, depends on whether the company can continue to diversify.

Following its formation in 1972, Kroll established itself fairly quickly as Wall Street's private eye, specialising in investigations involving mergers and acquisitions. With the recession, Kroll has cast an increasingly wide net to attract clients.

It still considers due diligence reports on companies part of its core work, along with fraud investigations, but its target is to become an unrivalled international provider of planning and analysis on every aspect of security and risk management.

Mr Kroll hopes to quadruple his firm's revenues by the end of the decade, building on its partnership with the US insurance company American International Group (AIG bought 23 per cent of Kroll last year).

Jimmy Burns

COMMODITIES AND AGRICULTURE

Brazilian rain sends coffee futures lower

By Alison Maitland

Coffee futures rebounded from a sharp setback in volatile trading yesterday, affected by rainfall that has relieved a long drought in Brazil, the world's biggest producer.

In London, the January robusta futures contract staged a strong comeback after losing $118 at one stage, to close just $23 lower at $3,485 a tonne. This compares with its nearly nine-year high of $4,140 on September 22.

New York arabica futures continued the trend, moving sharply lower in early trading, but then striding back in the afternoon, with the March position up 14.50 cents at 207.25 cents a pound on a wave of buying.

The volatility appeared to reflect uncertainty over whether the rain during the weekend, and forecasts of more to come during the early part of this week, would do anything to relieve the pressure on next year's Brazilian crop. This is expected to be well down following the drought and the two severe frosts that hit the country in June and July. A report yesterday by Weather Services, an independent US forecaster, said the recent drought was worse than the last severe dry spell of 1985.

There was also speculation that an export sugar tax announced by Brazil on Friday might be followed by a similar tax on coffee. GNI, the London broker, commented in its daily report: "Coffee prices are still historically very high, and the government could well impose a stiff export tax in the very near future."

However, Mr Robert MacArthur, head of the Tropical Trader Group at Merrill Lynch in London, said the price volatility had more to do with traders' own positions than with any shift in fundamentals.

● Indonesia, the world's third largest coffee producer, said it would increase coffee output to 450,000 tonnes next year and predicted exports at around 300,000 tonnes, Reuter reports from Jakarta.

The prolonged drought this year had affected production for next year. Production would be 420,000 tonnes this year, down from 460,000 tonnes last year.

Alcoa says avoid rivals

By Kenneth Gooding, Mining Correspondent

Employees of Aluminium Company of America, the world's biggest aluminium group, have been told to stay away from meetings where competitors are likely to be present.

Mr Paul O'Neill, chairman, made this edict following the recent decision by the US Justice Department to investigate whether US aluminium producers broke antitrust laws when they cut production after government representatives from some of the major aluminium-producing regions signed an unprecedented Memorandum of Understanding in February.

Alcoa insisted that Mr O'Neill's instruction did not arise from any heightened concern about the antitrust inquiry. Mr O'Neill said in his note to senior managers he was sure no employee had engaged in any improper conduct. Nevertheless: "It is prudent to take into account the possibility of changing standards of enforcement and compliance by governmental agencies as administrations change. As a responsible company we want to assure the reduction of any risks arising from misunderstandings regarding contacts with competitors." In future, employees would need explicit permission to attend any meeting where rival companies would be represented.

However, Alcoa has told the US Aluminium Association and the International Primary Aluminium Institute it will continue to supply them with statistics. The Justice Department investigation surprised the industry because three department lawyers were present to advise on the memorandum. Alcan of Canada and the European Aluminium Association have also been asked to co-operate in the department's inquiry.

Dutch agriculture urged to act on competitiveness and quality

By Ronald van de Krol in Amsterdam

Dutch agriculture must go on the offensive if it is to maintain its leading position in European and world exports, according to Mr Jozias van Aartsen, agriculture minister in the new Dutch government.

Mr Aarsten's call for action, made last week, follows the publication of a report showing that farmers, horticulturists and livestock breeders are losing their reputation for quality and failing to respond to changes in European demand.

The minister urged farmers, agricultural produce boards and other organisations in the sector to come up with ideas for a response to the report's findings by the end of the year.

The report, compiled by the consultants A.T. Kearnay at the ministry's reqnest, concludes that the agricultural sector – a key motor of the Dutch economy, accounting for 26 per cent of exports – is lagging behind competitors in countries such as France and Denmark.

"In the mid-1980s the Dutch agri-sector was a textbook example of efficiency and quality. Since then it has changed into a bulk producer with low product variety," the report said.

The Netherlands' competitive position in cut-flowers and seeds remains strong, but this is not enough to compensate for weaker performances in the dairy, vegetable and pork sectors.

The consultants argue that the Netherlands' relative decline in European market share has been masked by continued increases in the value and volume of agricultural sales.

One of the main factors behind the decline is the failure by Dutch agriculture to respond effectively to the demand for a greater range of products and product specifications, particularly from Europe's increasingly powerful food retail groups.

In the dairy sector, for example, the report cited criticism by retailers of Dutch cheesemakers, which have scored just one success over the past 15 years: the launch of Leerdammer cheese.

By contrast, the Danish and the French have turned their attention to feta and mozzarella cheeses to take advantage of the popularity of Mediterranean products.

The Dutch, unlike the Germans and French, also seem to have missed the growth of European demand for new desserts.

One reason for the lack of innovative skill seems to be a conflict of interest within the Netherlands' agricultural co-operatives.

At dairy co-operatives, the owners – the farmers – want high prices for their milk. But the co-operatives would be able to make more long-term investments in research and development of new products if raw material prices fell, the report said.

Fresh talks on international rubber pact set for February

By Frances Williams in Geneva

A third attempt to negotiate a new international rubber pact will be made in February after consuming and producing countries failed to agree on the crucial issue of the reference price during two weeks of talks in Geneva.

The 1987 International Natural Rubber Agreement, which expires on December 31, will be extended for a further year when the pact's governing council next meets in Kuala Lumpur at the end of November.

Producing countries had argued for a 5 per cent rise in the reference price which has remained virtually unchanged at 196.84 Malaysian/Singapore cents a kilo since 1979. However, consumer nations, led by the European Union, refused to budge.

The rubber agreement is the only remaining international commodity pact with price stabilisation provisions under which buffer stock operations are used to keep the market price of rubber within a fixed range centred on the reference price.

Mr Peter Lai, chairman of the United Nations-sponsored negotiations, said after the talks ended on Friday that there was "much sympathy" for an increase in the level of the lower indicative price – the price below which the buffer stock manager may, but is not obliged to, buy in stocks to prevent further falls.

There was also "the same measure of sympathy" for a more frequent review of the price range than the present 15 months. Another area of disagreement, the duration of the new accord, was unlikely to pose much difficulty, Mr Lai added. The options are a 3-year or 5-year accord with the possibility in each case of a 2-year extension.

Thirty-one countries took part in the Geneva talks, including the most important exporters and importers. The next round will be held in Geneva from February 6.

The argument over the reference price arises from different views of market prospects. Producers say price levels set by the 1987 accord do not guarantee farmers' livelihoods and are leading to production cutbacks at a time of rising demand. Prices this summer reached their highest levels for more than six years.

Consumers believe market conditions do not justify a rise in the reference price of rubber, maintaining that recent price rallies have been driven by short-term factors and by speculators.

One possible compromise is a rise in the indicative price, which is related to production costs and is therefore an important signal to growers, while leaving the reference price unchanged.

Ukraine expects lowest grain harvest in over a decade

By Matthew Kaminski in Kiev

Ukraine, the former Soviet Union's bread basket blessed with exceptionably fertile soil, yesterday announced it expects this year's grain harvest to be the lowest in over a decade.

The gross harvest, including corn, will stand at 37.7m tonnes this year, 8.4m less than expected and a 17 per cent drop on last year's 45.6m tonne harvest, according to the Ministry of Agriculture.

However, Mr Viktor Gluzdeyev, a government spokesman, told Interfax-Ukraine news agency yesterday that Ukraine does not plan to make up the gap with imports and that the harvest is sufficient to meet domestic demand.

The large state-run sectors produced a 35m tonne harvest yield, short of an expected 40.7m tonnes. The tiny private farms showed slightly better average yields.

Overall, average grain yields will be 28.6 centners per hectare, roughly half western European levels.

The blame for the lower yields – the spring crop was also down 40 per cent – rests partly on a drought this year and on the slow pace of Ukraine's attempts to overhaul the agricultural sector, which is ruled by powerful lobbies.

Declining production might jump start reform, however. Structural changes urged by the World Bank include land reform, privatisation of food processing and farm infrastructure such as grain silos, and liberalisation of domestic trade in products.

Experts say reforms are needed to improve incentives for farmers who are currently forced to sell at low state-set prices, and to restructure the inefficient collectives still dominant in Ukraine.

Mr Neil Spooner, an agricultural consultant, said the fault lies with the government's controls on prices and trade, not with farmers or the land, since average yields at state and private farms are half those achieved on farms participating in joint-ventures with western firms.

A Ukrainian government spokesman this week outlined plans to eventually put 60 per cent of land in public hands – the state currently owns 93 per cent.

Subsidies to Ukraine's agricultural sector eat up half the state's annual budget and feed inflation. Economic advisers argue farming can survive without the credits and even compete on western markets.

Ukrainian President Leonid Kuchma in a policy speech last week endorsed farm reform, including plans to decentralise control within powerful ministries such as agriculture.

"The key to the realisation of real reform in Ukraine is agriculture," he said.

MARKET REPORT

Copper highly volatile

COPPER fluctuated wildly on the London Metal Exchange yesterday, reaching $2,520 a tonne at one stage before closing $5 down from Friday at $2,476.50. There was a $5 a tonne premium for metal for immediate delivery compared with three-month aluminium at the close and that backwardation (premium) reached a notional $50 at one point. Traders said the bulk of the activity reflected "third Wednesday" pricing and trading, and covering against nearby option commitments. Big cash purchases defended the $2,500 level in the morning before heavy Far Eastern selling and fund liquidation established the lower trend, they said.

ALUMINIUM prices reached a new four-year high of $1,720 a tonne before closing at $1,715.50, up $7.75.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1698.5-9.5	1715-6
Previous	1691-2	1707.5-8.0
High/low	1698	1720/1710
AM Official	1698.5-99	1716-17
Kerb close		1715-6
Open int.	255,459	
Total daily turnover	113,080	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1685-95	1715-20
Previous	1690-700	1715-20
High/low		1725/1715
AM Official	1680-90	1715-8
Kerb close		1715-20
Open int.	3,079	
Total daily turnover	448	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	640-1	651-2
Previous	641.5-2.5	653-3.5
High/low		656/651
AM Official	645.5-6.5	656.5-7.0
Kerb close		651-2
Open int.	43,063	
Total daily turnover	21,113	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6555-60	6665-6
Previous	6570-80	6665-75
High/low	6600	6775/6660
AM Official	6597-8	6700-01
Kerb close		6660-70
Open int.	75,324	
Total daily turnover	15,065	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5380-5	5460-5
Previous	5400-05	5480-5
High/low		5500/5435
AM Official	5350-60	5435-40
Kerb close		5465-70
Open int.	16,451	
Total daily turnover	2,854	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1053.5-4.5	1073.5-4.0
Previous	1044-5	1064-5
High/low	1053	1082/1068
AM Official	1052-3	1072-2.5
Kerb close		1070-1
Open int.	103,457	
Total daily turnover	31,410	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2481-2	2476-7
Previous	2383-4	2481-2
High/low	2508/2500	2520/2450
AM Official	2500-01	2445-50
Kerb close		2471-2
Open int.	221,387	
Total daily turnover	148,456	

■ LME AM Official £/$ rate: 1.6078
LME Closing £/$ rate: 1.6106

Spot:1.6105 3 mths:1.6093 6 mths:1.6068 9 mths:1.6033

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Oct	116.70	-0.60	117.00	116.20	1,943	273
Nov	114.55	-0.45	-	-	1,393	65
Dec	113.75	-0.45	114.35	112.50	39,016	4,834
Jan	113.30	-0.45	-	-	867	23
Feb	112.75	-0.45	-	-	504	7
Mar	112.35	-0.45	112.50	111.30	7,654	755
Total					58,352	6,113

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	389.00-389.40	
Opening	388.80-389.20	
Morning fix	388.95	242.367
Afternoon fix	389.00	241.900
Day's High	389.40-389.90	
Day's Low	388.40-388.90	
Previous close	387.40-387.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.55 6 months 4.92
2 months ....4.60 12 months 5.30
3 months 4.75

Silver Fix	p/troy oz.	US cts equiv.
Spot	335.45	539.25
3 months	340.35	546.70
6 months	345.50	554.10
1 year	357.80	571.25

Gold Coins	$ price	£ equiv.
Krugerrand	391-394	244-247
Maple Leaf	399.75-402.25	-
New Sovereign	91-94	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	389.6	+2.2	389.1	389.0	6	8
Nov	390.6	+2.1	-	-	-	-
Dec	392.1	+2.1	392.3	390.7	83,838	19,109
Feb	395.4	+2.1	395.7	394.3	19,724	204
Apr	398.5	+2.1	398.6	397.8	8,126	40
Jun	401.6	+1.3	402.2	401.5	10,441	14
Total					157,328	19,872

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	419.7	+5.3	419.9	418.5	172	16
Jan	421.7	+3.8	421.9	419.5	18,664	2,123
Apr	425.7	+3.9	425.0	424.0	3,374	139
Jul	428.8	+3.9	-	-	661	85
Oct	432.6	+4.0	-	-	335	2
Jan	435.6	+4.0	-	-	2	-
Total					23,298	2,365

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	156.45	+3.05	156.85	154.30	4,442	184
Mar	157.45	+3.05	157.50	156.50	1,524	-
Jun	158.56	+3.05	-	-	152	-
Total					6,118	184

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	539.7	+4.8	-	-	1	-
Nov	541.1	+4.8	-	-	-	-
Dec	543.5	+4.8	544.0	538.5	83,045	14,219
Jan	546.1	+4.8	548.5	545.0	53	-
Mar	552.0	+4.8	553.0	548.0	13,950	1,223
May	558.1	+4.8	558.0	554.5	4,641	18
Total					114,783	15,460

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	17.12	+0.15	17.15	16.83	50,839	39,639
Dec	17.30	+0.21	17.30	16.98	95,377	35,131
Jan	17.35	+0.17	17.35	17.17	56,981	12,159
Feb	17.37	+0.16	17.37	17.17	28,442	8,836
Mar	17.37	+0.13	17.37	17.21	22,381	2,531
Apr	17.41	+0.14	17.42	17.39	16,981	940
Total					422,958	108,903

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	15.97	+0.21	16.00	15.76	47,006	11,752
Jan	16.00	+0.20	16.01	15.80	84,020	30,726
Feb	16.01	+0.18	16.01	15.85	25,896	4,975
Mar	16.03	+0.16	16.03	15.98	11,015	1,538
Apr	16.00	+0.11	16.00	16.00	6,496	365
May	16.02	+0.12	16.02	16.02	3,916	42
Total					146,209	48,905

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	47.35	+0.64	47.40	46.45	28,074	9,851
Dec	48.20	+0.64	48.25	47.50	43,358	8,802
Jan	49.10	+0.59	49.10	48.60	33,357	3,509
Feb	49.75	+0.59	49.75	49.40	17,933	2,428
Mar	49.80	+0.54	49.85	49.50	11,905	1,137
Apr	49.35	+0.19	49.05	48.85	5,542	362
Total					167,474	27,881

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	149.00	+1.50	149.75	146.75	1,194	4,480
Dec	151.00	+2.00	151.50	148.75	33,584	2,994
Jan	153.25	+2.00	153.50	151.75	25,843	1,497
Feb	155.00	+2.25	155.00	153.25	17,993	405
Mar	155.00	+2.00	156.25	152.25	5,841	108
Apr	153.75	+2.25	153.75	151.25	6,735	53
Total					102,173	9,557

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.650	+0.018	1.655	1.620	24,058	8,750
Dec	1.905	+0.003	1.910	1.883	29,793	5,888
Jan	2.050	+0.016	2.050	2.025	17,632	1,468
Feb	2.025	+0.006	2.030	2.014	13,822	1,701
Mar	1.990	+0.006	1.990	1.975	11,723	939
Apr	1.955	+0.001	1.950	1.948	7,211	509
Total					149,413	21,580

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	48.25	+0.66	48.40	47.50	19,349	12,366
Dec	56.75	+0.28	56.80	56.15	20,710	9,119
Jan	55.25	+0.09	55.45	55.00	11,648	2,648
Feb	54.80	+0.10	54.70	54.10	5,797	1,358
Mar	54.70	-0.10	54.70	54.70	2,697	205
Apr	58.20	-	-	-	4,524	309
Total					70,926	28,781

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	104.60	+0.20	105.00	104.50	1,816	285
Jan	106.60	+0.20	106.50	106.50	1,950	6
Mar	108.55	+0.20	108.95	108.50	1,505	122
May	110.55	+0.25	-	-	1,485	-
Jul	112.00	-	-	-	200	-
Sep	98.50	-0.25	-	-	40	-
Total					6,936	434

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	404/0	-4/4	411/2	403/4	44,927	15,112
Mar	413/4	-4/6	420/4	413/0	22,363	5,008
May	388/6	-3/4	394/6	388/0	3,312	481
Jul	353/6	-4/0	357/4	352/4	8,695	1,231
Sep	358/0	-3/0	361/4	357/0	222	14
Dec	368/0	-4/2	369/0	366/0	133	3
Total					79,659	21,849

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	218/4	-1/0	218/4	216/2	126,282	36,306
Mar	227/2	-0/4	228/6	227/0	52,609	7,207
May	234/6	-0/6	236/4	234/4	22,901	2,518
Jul	240/0	-0/6	241/4	239/4	27,117	4,384
Sep	245/0	-1/0	246/2	245/0	1,946	212
Dec	249/2	-0/6	250/4	248/0	16,720	1,694
Total					249,587	52,369

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	102.05	-0.30	102.50	102.50	377	2
Jan	104.60	-0.25	104.75	104.75	408	20
Mar	106.75	-0.10	-	-	130	-
May	108.50	-0.30	-	-	46	-
Sep	95.00	-	-	-	2	-
Nov	97.00	-	-	-	-	-
Total					963	22

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	543/0	+4/4	545/0	538/4	71,068	28,016
Jan	553/4	+4/0	555/6	550/0	32,694	6,895
Mar	562/6	+4/0	565/2	559/0	18,762	3,317
May	570/4	+3/6	572/6	567/0	8,637	788
Jul	577/4	+4/0	579/6	574/4	15,772	1,995
Aug	580/0	+3/6	582/2	578/0	757	156
Total					168,118	40,328

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	26.55	+0.59	26.64	25.95	3,257	735
Dec	24.95	+0.43	25.22	24.53	35,318	8,831
Jan	24.22	+0.34	24.52	23.95	11,814	2,652
Mar	23.75	+0.38	23.90	23.40	13,161	2,461
May	23.41	+0.28	23.66	23.25	10,036	1,382
Jul	23.21	+0.31	23.40	23.00	6,512	745
Total					85,548	16,423

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	164.3	+0.6	164.5	163.5	2,324	905
Dec	164.1	+0.5	164.5	163.1	44,995	8,842
Jan	165.7	+0.6	166.2	164.6	15,936	2,363
Mar	168.7	+0.6	169.2	167.8	15,063	1,126
May	171.6	+0.7	172.2	170.5	7,638	439
Jul	175.3	+1.0	175.4	174.0	6,627	387
Total					94,897	14,466

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	217.5	-8.8	222.4	218.0	1,307	91
May	240.0	-	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,307	91

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1889	+28	1890	1865	618	3
Nov	1888	+37	1890	1855	342	74
Dec	1858	+32	1860	1836	186	18
Jan	1760	+13	1765	1757	1,078	54
Apr	1705	+7	1716	1700	838	48
Jul	1530	+20	-	-	144	-
Total					3,117	198

	Close	Prev
BFI	1838	1827

Tea
The Tea Broker's Association reports only fair demand. Better liquoring Assams met selective enquiry and prices dropped 3 to 8p following quality. Mediums also came to an easier market, losing 2 to 5p. Plainer descriptions were much lower where sold. Bright Kenyas opened at irregular rates but closed generally 4 to 8p lower, while mediums lost 2 to 4p. Burundis met better competition and prices were fully firm to dearer. Ceylons also came to a slightly lower market. Brighter teas were firm but plainer types again lost ground. Quotations: best available 190p/kg. nom, good 135p/kg., good medium 120p/kg., medium 112p/kg., low medium 84p/kg. nom. The highest price realised this week was 190p for an Assam pd.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	938	+4	954	937	22,832	1,046
Mar	973	+6	988	966	43,126	1,723
May	983	+4	999	981	14,134	488
Jul	1000	+8	1011	998	8,145	123
Sep	1015	+10	1025	1010	10,760	465
Dec	1029	+4	1045	1029	8,286	90
Total					110,300	3,863

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1285	+18	1299	1281	32,021	4,119
Mar	1333	+13	1347	1330	21,488	2,030
May	1359	+9	1375	1361	7,718	90
Jul	1388	+8	1404	1395	3,047	137
Sep	1417	+9	1428	1428	1,325	6
Dec	1443	+2	-	-	4,984	20
Total					74,488	8,407

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Oct 14		
Daily	960.48	964.00

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3538	-14	3555	3435	7,657	844
Jan	3488	-20	3490	3390	13,473	1,882
Mar	3403	-15	3405	3316	7,528	987
May	3383	-10	3365	3310	2,799	205
Jul	3345	-20	3350	3350	1,325	15
Sep	3330	-25	3300	3300	1,423	20
Total					34,506	3,993

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	203.85	+5.50	207.50	179.00	14,767	4,751
Mar	208.05	+5.30	212.00	184.90	11,184	1,296
May	201.75	+6.00	201.75	189.75	4,458	595
Jul	202.75	+6.00	202.75	190.75	1,513	175
Sep	203.00	+6.00	199.50	191.00	827	43
Dec	205.55	+6.00	197.00	193.55	340	61
Total					33,869	6,923

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Oct 14		
Comp. daily	179.44	183.90
15 day average	192.25	194.26

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	11.82	-	-	-	-	-
Mar	12.96	+0.52	-	-	90	-
May	12.98	+0.43	-	-	-	-
Jul	12.85	+0.41	-	-	450	-
Total					540	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	344.50	+5.20	346.50	340.00	3,848	523
Mar	339.60	+4.10	340.00	335.50	8,132	1,262
May	338.60	+3.90	338.80	335.40	1,998	363
Aug	336.40	+3.90	338.70	333.00	2,233	273
Oct	317.90	+2.90	318.40	315.40	289	159
Dec	315.60	+2.90	-	-	4	-
Total					16,504	2,580

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	12.82	+0.25	12.83	12.59	82,789	19,947
May	12.79	+0.20	12.30	12.69	19,024	3,921
Jul	12.88	+0.18	12.89	12.49	12,997	1,616
Oct	12.39	+0.18	12.39	12.22	10,432	1,134
Mar	12.00	+0.15	11.98	11.91	1,446	86
May	12.00	+0.15	-	-	9	-
Total					126,782	26,704

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	68.64	-0.50	69.60	68.60	24,726	6,880
Mar	70.36	-0.30	71.25	70.32	12,744	1,745
May	71.45	-0.35	72.10	71.40	6,802	370
Jul	71.93	-0.57	72.75	71.75	4,051	174
Oct	69.45	-0.15	-	-	543	21
Dec	68.90	-0.27	69.26	69.00	2,095	75
Total					50,976	8,366

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.55	+0.85	105.80	103.00	6,845	4,824
Jan	109.15	+4.90	109.25	106.55	7,774	909
Mar	112.30	+5.00	112.30	109.50	3,009	241
May	115.60	+4.80	115.70	112.75	1,241	52
Jul	118.60	+4.55	118.00	115.50	718	103
Sep	121.15	+3.40	121.00	119.00	354	61
Total					22,280	6,278

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 17	Oct 14	month ago	year ago
2060.7	2062.9	2112.2	1661.2

■ CRB Futures (Base: 1967=100)

Oct 14	Oct 13	month ago	year ago
228.26	227.54	229.18	217.98

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	67.475	-0.025	68.000	67.400	4,623	2,737
Dec	68.750	-0.325	69.450	68.675	28,805	7,815
Feb	67.725	-0.225	68.225	67.800	18,729	2,013
Apr	67.800	-0.250	68.250	67.675	11,342	1,807
Jun	64.600	-0.225	64.950	64.550	3,076	352
Aug	63.850	-0.175	64.150	63.800	1,339	50
Total					86,050	14,819

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	30.725	-1.400	31.700	30.675	831	869
Dec	33.400	-0.475	33.850	33.200	17,813	4,937
Feb	36.100	-0.200	36.325	35.800	6,840	1,369
Apr	36.275	-0.425	36.600	36.200	3,872	1,043
Jun	41.825	-0.575	42.150	41.800	1,631	205
Aug	41.500	-0.450	41.800	41.400	282	40
Total					31,939	8,359

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	37.650	-0.800	38.200	37.400	8,779	1,540
Mar	37.725	-0.750	38.200	37.550	955	208
May	39.150	-0.700	39.425	39.050	279	40
Jul	39.875	-0.825	40.400	39.850	283	26
Aug	38.900	-0.550	39.300	38.750	57	4
Total					10,333	1,816

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1675	71	103	34	60
1700	57	90	44	71
1725	45	78	57	83
■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2450	83	111	58	99
2500	58	88	83	125
2550	40	69	114	156
■ COFFEE LCE	Nov	Jan	Nov	Jan
3550	40	218	52	280
3600	22	200	84	312
3650	11	184	123	345
■ COCOA LCE	Dec	Mar	Dec	Mar
925	35	85	20	36
950	22	71	32	47
975	13	58	48	59
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1600	-	45	1	48
1650	1	26	4	77
1700	3	15	-	116

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec) +or-

		+or-
Dubai	$14.66-4.78z	+0.060
Brent Blend (dated)	$15.73-5.77	+0.155
Brent Blend (Dec)	$15.91-5.92z	+0.135
W.T.I. (1pm est)	$17.19-7.23z	+0.115

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-175	+1.0
Gas Oil	$152-153	+2.0
Heavy Fuel Oil	$58-60	
Naphtha	$169-170	+2.0
Jet fuel	$172-174	+0.5
Diesel	$155-156	+1.5

Petroleum Argus, Tel. London (071) 359 8792

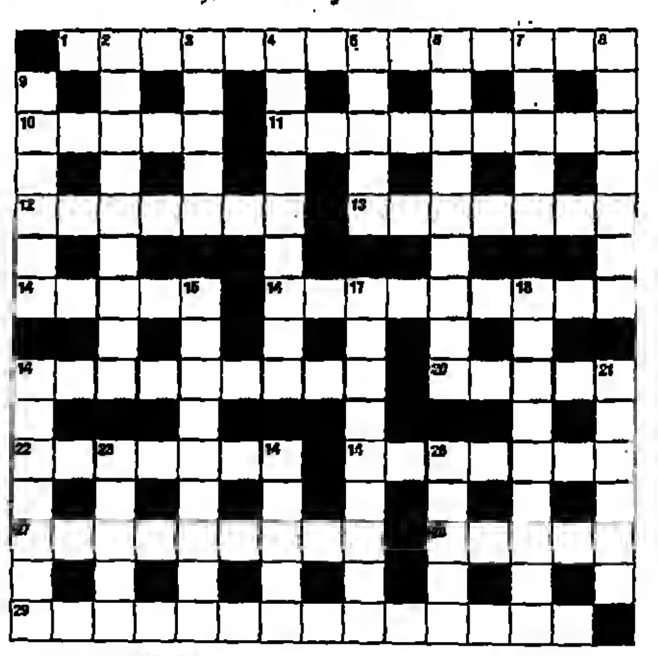
■ OTHER

Gold (per troy oz)♣	$389.20	+1.60
Silver (per troy oz)♣	539.50c	+1.00
Platinum (per troy oz.)	$416.25	+2.50
Palladium (per troy oz.)	$163.50	+0.75
Copper (US prod.)	121.0c	+1
Lead (US prod.)	39.15c	
Tin (Kuala Lumpur)	13.55r	+0.07
Tin (New York)	282.5c	+1.0
Cattle (live weight)†	119.08p	+2.11*
Sheep (live weight)†♠	90.92p	+0.46*
Pigs (live weight)	73.35p	+1.92*
Lon. day sugar (raw)	$311.4	+6.2
Lon. day sugar (wte)	$348.0	+7.7
Tate & Lyle export	£306.0	+2.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$132.0y	
Wheat (US Dark North)	£165.0u	
Rubber (Nov)♥	92.00p	
Rubber (Dec)♥	91.50p	
Rubber (KL RSS No1 Jul)	352.0	-1.0
Coconut Oil (Phil)§	$615.0u	
Palm Oil (Malay.)§	$620.0t	+10.0
Copra (Phil)§	$394.0u	
Soyabeans (US)	£165.0v	+1.0
Cotton Outlook'A' index	78.80c	+0.20
Wooltops (64s Super)	436p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Oct/Dec. v Nov/Dec. u Oct/Nov. z Dec. t Nov. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ☉ Prices are for previous day.

CROSSWORD

No.8,587 Set by CINEPHILE



ACROSS

1, 10 Offer opener to small company with organiser: you get the second free (3,3,3,5,2,3)
11 Inferior time to back revolution in fodder crop (6,3)
12 Trouble at great event on river (7)
13 Sanction use of last piece of octavo paper (7)
14 Show enthusiasm et swan's cough? (5)
16 Childish missile may be pared in part (5,4)
19 Keep going by stern (9)
20 Primate among students attached to the collar? (5)
22 Without me academics could be producers of drones (7)
25 Our two grams may become too big (7)
27 Little time in basin, long time for reduction (9)
28 This country, like the east, gets Russian order (5)
29 Where's my shroud? (4,2,4,4)

DOWN

2 Negro word for malefactor? (9)
3 Prison ships are fast (5)
4 Ornamental fruit-tree cause water pressures, in part (4,5)
5 Three-quarters of half a degree in board game (5)
6 Post-natal treatment for pure pearl (9)
7 I had a house in the state (5)
8 A little bit of fire, for example (7)
9 Gold in pithead is to be lent (6)
15 Another name for obligations arising in horse medicins shortly (9)
17 Things that happen to man with Latin name in Pennsylvania (9)
18 Plus sign, as it were, man parsed incorrectly (9)
19 Printing units like this make a painter (7)
21 Bar-man goes west in stratum (6)
23 Swear to take dogs east (5)
24 Holy man's help is settled (5)
26 The ruling digit? (5)

Solution to Saturday's prize puzzle on Saturday October 29.
Solution to yesterday's prize puzzle on Monday October 31.

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie bounces from 3,100 in subdued trading

By Terry Byland,
UK Stock Market Editor

Firmness in government bond prices yesterday helped the UK equity market recover after at first dipping below the Footsie 3,100 mark recaptured so recently. The London market was also helped by renewed focus on the defence sector after suggestions that GEC, already closely watching developments in the VSEL situation, might be interested in bidding for British Aerospace itself.

London traders maintained that the outcome of the German elections had been widely foreseen, but the big dollar earning stocks were subdued by uncertainty over the medium term outlook for the US currency. Oil shares lacked strength as the Iraq-Kuwait situation appeared to become more stable.

Trading volume was generally poor, but with activity in the defence stocks boosting the Seaq total. A trading programme ranging across the FT-SE 100 and Mid 250 stocks was printed in the second half of the session.

Led by stock index futures, the market bounced from its early low and, at the day's best, the Footsie was 26 points ahead. Support faded later and in spite of a rise of 18 points on the Dow Jones Industrial Average in UK trading hours, the final reading of 3,120.2 on the FT-SE 100-share Index showed a gain on the day of only 13.5 points. Private investor interest appeared to have faded away again, leaving the broader range of the market without much strength to face profit-takers.

The FT-SE Mid 250 Index gained 4.6 at 3,548 and overall volume of 499.5m shares through the Seaq network showed a fall of nearly one fifth from Friday's total. Volume in equities was boosted at the close on Friday by the sudden weakness in the US dollar which prompted some US selling of the blue chip internationals in London.

Press suggestions that GEC might bid for British Aerospace were not new, having been widely canvassed as a part of the general reshaping of the western defence industry envisaged following glasnost.

There was significant market support for a GEC move yesterday, although few analysts expect such a development without offical sanction. At least one sector analyst rejected any suggestion of a GEC strike. Trading figures from VSEL had little impact since the share price remains linked, via the share bid offer, to the Aerospace share price.

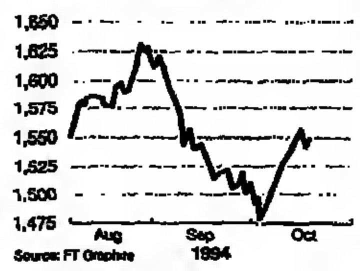
Shares in Eurotunnel responded firmly at first to the board's interim report, which rejected outright any talk of another rights issue or threat to banking covenants. But by the close the shares were slipping away as analysts focused on the disappointing downgrading of 1994 revenue forecasts.

Traders took a mixed view of prospects for the UK equity market in the near term. The institutions were clearly keeping out of the way yesterday, waiting for the latest UK Public Sector Borrowing estimates, wich are due this morning. Most forecasts are for a sharp increase in the September figure and there is some doubt as to how this would be taken in the British government bond market.

The recovery in UK gilts remains the key to a genuine rally in UK equities and analysts noted yesterday that the FT-SE 100 Index is still unable to break away from the 3,100 level which appears to have become a significant barrier.

However, some traders commented that much of the potentially unsettling news in the market – ranging from the German elections to the latest raft of US economic statistics – is now out of the way and that UK equities could resume their upward path. Doubts over the delay in recovery in retail spending failed to hold back shares in the big store groups, and banking stocks continued to hope that domestic base rates can remain at present levels, at least until the new year.

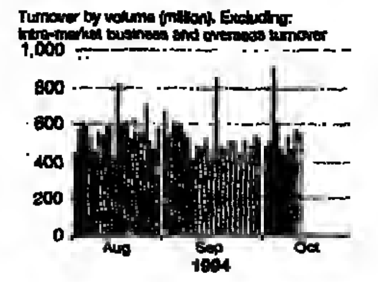
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3120.2	+13.5	FT Ordinary index	2400.4	+9.2
FT-SE Mid 250	3548.0	+4.6	FT-SE-A Non Fins p/e	19.05	(18.98)
FT-SE-A 350	1563.0	+5.6	FT-SE 100 Fut Dec	3140.0	-18.0
FT-SE-A All-Share	1548.45	+5.34	10 yr Gilt yield	8.56	(8.65)
FT-SE-A All-Share yield	3.87	(3.89)	Long gilt/equity yld ratio:	2.22	(2.23)

Best performing sectors

1 Chemicals .... +1.7
2 Electricity .... +1.1
3 Tobacco .... +1.0
4 Spirits, Wines & Cider .... +0.8
5 Telecommunications .... +0.8

Worst performing sectors

1 Gas Distribution .... -1.5
2 Building & Construc .... -0.6
3 Engineering, Vehicles .... -0.5
4 Other Services & Bans .... -0.4
5 Textiles & Apparel .... -0.4

Spotlight falls on BAe

Tha spotlight in the VSEL takeover saga swung away from the submarine maker yesterday, to beam full square on British Aerospace following weekend press reports that BAe might itself end up the victim of GEC's huge cash balances.

BAe, which has an agreed offer for VSEL on the table, surged 28 to 498p in turnover of 5.9m, at which level its market capitalisation is around £1.87bn. At the last count GEC was known to be sitting on cash funds of some £3bn.

GEC, which last week declared itself as a potential counter-bidder for VSEL, is widely understood to have held talks last year aimed at merging its defence business with that of BAe.

GEC opted to play its cards close to its chest yesterday, putting out a firm no comment statement. The shares rose 2 to 295p in turnover which at 3.7m suggested that the rumour mill was not having too great an effect on activity.

VSEL dipped 5 to 1320p following half-year results which included an increased interim dividend and a declaration that September cash balances stood at £364m.

Eurotunnel down

Eurotunnel's announcement that revenue for 1994 would be in the region of £34m, and not the £137m forecast at the time of the May rights issue, left the shares down 7 at 221p, the lowest since February 1988.

This was far worse than even the most pessimistic London analyst had expected and the company now has very few friends in the City. UBS reiterated a sell notice which has been in place for a record-breaking seven years.

Few houses had any clear idea of where Eurotunnel's trading patterns go from here. The general consensus was that if another immediate cash call has been avoided there could yet be painful decisions early in the new year.

ICI strong

Chemicals leader ICI outperformed the leading share index smartly on a combination of positive press comment and analysts' recommendations.

Initially, the shares spiked higher as one newspaper argued that any softening of commodity prices in the US would be irrelevant to European chemicals groups because of the low levels of its exports to the US.

Then, securities houses UBS and Hoare Govett stressed their positive view of the stock. Mr Martin Evans of Hoare said: "Given the forward momentum of earnings recovery the cyclical rating has scope to expand upward." Even NatWest Securities, which has a more downbeat view of the stock, anticipates "sparkling" third-quarter figures on October 27, given the "dramatic product price increases coming through in petrochemicals, plastics and some bulk inorganic chemicals". A rash of cheap buying following last week's weakness saw the shares recover 25¼ to 818p.

US sellers of BP

News that US investors have continued to reduce their holdings in BP in recent weeks left the shares slightly under the weather and finally a penny easier at 431½p, although dealers were at pains to point out that the stock had outperformed the market by a substantial amount this year. And the stock price was helped by bullish noises from Lehman Brothers, the US brokerage.

BP said ADRs issued by Morgan Guaranty Trust of New York accounted for 19.54 per cent of BP's issued capital, or 1.07bn shares, down from a previous level of around 19.7 per cent and a high point of above 26 per cent last year. BP shares reached an all-time high of 430p last month.

Shell edged up 3 to 730p as the market responded to a bullish Press report on the outlook for petrochemicals.

Exco, the money broking group which came to the market in the summer at 175p a share, lost 15 at 179p, after 180p, as the market reacted badly to news of the resignation, from December 31, of Mr Ron Sadler, the chief executive. He will be succeeded by Mr Peter Edge, who currently runs Exco's money broking business.

Mr Sandler joined Exco in April last year and is thought to have crossed swords with the rest of the broker's board, according to dealers. "It looks bad so soon after the flotation," said one dealer.

Exco reiterated the view that its performance for the year "will be satisfactory" but also warned of subdued trading in the third quarter.

The dollar's retreat affected HSBC, whose fortunes are viewed as linked to those of Hong Kong. HSBC shares, which began to weaken late last week, slipped 7 to 716p.

Guinness put on 6 at 466p, with NatWest Securities adding the shares to its Top 15 performing stocks. Highland Distillers dipped 15 to 419p in spite of improved half-year profits and an extra 0.66p on the interim dividend.

Northern Ireland Electricity was one of the star turns in a generally buoyant electricity sector, the shares climbing 10 to 385p after the company said it is looking at ways of restoring the electricity transmission link with the Republic of Ireland, a move long viewed as bullish for NIE.

Pharmaceuticals group Zeneca was helped by news that it hoped to extend the range of its prostata cancer drug, Zoladex, in the US. The shares rose 9 to 833p.

Rival Glaxo was assisted by the publication of a large trade carried out two working days previously at above the current market price. A block of 4.4m shares was placed at 620p a share and the underlying stock moved forward 3 to 615p in spite of a persistently weak US dollar.

The latest national newspaper circulation figures acted on various media stocks. Mirror Group Newspapers was 2 firmer at 134p after its flagship paper recorded a 0.58 per cent rise in circulation against ½ per cent fall in the Sun, whose parent company News International closed unchanged at 149p. Telegraph shares were down 5 at 341p and Sunday Telegraph sales were down on the month.

Cable and Wireless's recent bout of outperformance triggered some switching by action funds out of C&W, 7 off at 414p, and into BT, up 6 at 400½p.

In an otherwise quiet property sector, MEPC fell 10 to 432p following a downgraded net asset valuation by BZW.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

■ Other statistics, Page 24

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (27).
GILTS (1) BUILDING & CNSTRN (2) Shorco, Vibroplant, BLDG MATLS & MCHTS (1) John Mansfield, CHEMICALS (1) European Colour, DISTRIBUTORS (1) Finelot, ELECTRNC & ELECT EQUIP (1) Nokia Corp. Prf., ENGINEERING (1) Renishaw, ENG, VEHICLES (1) Airflow Streamlines, EXTRACTIVE INDS (2) Waverley Mining Finance, Western Deep, FOOD MANUF (1) [illegible]

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures were volatile in dull volume, swinging about erratically but eventually closing comfortably up on the day, *writes Jeffrey Brown.*

The FT-SE 100 December contract was 18 points higher at 3,140 at the official 4.10pm close, having touched a 3,163 best for the day towards the end of the morning session.

At this level the premium to the cash market was around 20 points and the fair value premium just short of 13 points.

Trading volume was flat, with just 11,811 contracts showing at the official close, down from an average of 15,000 for the final two days of last week.

Traders said there was very little two-way business and that most deals were hard to trade. "Everybody's unsure of direction," commented one trader. Futures markets were watching the dollar, as it made its response to the outcome of the German elections.

On the upside, traders see 3,170 as the most immediate selling point. Wall Street continues to provide the strongest leads.

Activity in traded options was also light, with 22,778 lots comparing with 34,231 contracts on Friday. FT-SE and Euro FT-SE trading accounted for just over 14,000 lots.

British Aerospace headed the list of active individual options with 1,868 lots dealt. British Steel (1,844 lots) and HSBC were also busy.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3124.0	3140.0	+18.0	3163.0	3116.0	12511	56297
Mar		3163.0	+18.0			0	3766

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3570.0	3570.0	+10.0	3580.0	3570.0	20	4224

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3570.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3120) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Oct	179½	1	131	1½	82	4	38½	12½	12½	36	2	80	1	130	1	180
Nov	199	13½	157½	21½	119½	33	85	40½	58½	71½	38	102	22	139½	12½	182
Dec	216	29½	181½	41½	144½	55½	113	75½	83½	98	62	124½	42½	156½	28½	194
Jan	241½	43	206½	56	170	70½	149	91	110½	111½	89½	140	67½	168½	82	205½
Jun†			270	98½			210	135			180	185			115	241

Calls 4,982 Puts 5,887

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P
Oct	152	1	103	2	57½	6½	23½	22½	0	55	1½	1	1	149½	1	199½
Nov	178	17½	139	27½	103½	42	73	61	48	98	30	117½	17	154½	9	195½
Dec	187	34	160½	47	127½	63	97½	83	71½	108½	49½	133½	33	167	22	205
Mar			215½	81			155½	118½			106	168½			89½	227½
Jun†			258	104½			198	140½			146½	185			185	239½

Calls 2,619 Puts 902 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	3650 P	3700 C	3700 P	3750 C	3750 P
Oct							125¼	82¼	100	105¼	78¾	134½				

Calls 8 Puts 8 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	85	320	
ASDA Group†	3,800	64½	+½
Abbey National†	1,500	415	+7
Albert Fisher	1,900	46	-1
Allied Domecq†	1,800	585	+6
Anglian Water	58	542	+3
Argos	394	321	+5½
Argyll Group†	1,300	285	+4
Arjo Wiggins†	1,900	263	+1
Assoc. Brit. Foods†	303	532	+8
Assoc. Brit. Ports	755	262	-5
BAA†	1,100	500	+1
BAT Inds.†	3,800	459½	+4½
BET	313	108½	
BICC	358	356	
BOC†	187	685	+6
BP†	4,300	421½	-1
BPB Inds.	1,100	314	
BT†	13,000	400½	+6
BTR†	2,000	317	-3
Bank of Scotland†	1,300	208	+3¼
Barclays†	2,300	570½	+4½
Bass†	1,700	542	+6
Blue Circle†	909	294	
Booker	14	420	
Boots†	750	551	-4
Bowater†	588	475	+2
Brit. Aerospace†	3,800	498	+28
British Airways†	2,400	361	+1
British Gas†	5,400	281½	+2
British Land	1,500	410	-3
British Steel†	8,700	164	-2¼
Bunzl	441	164	
Burmah Castrol†	257	857	-3
Burton	144	64½	-¼
Cable & Wire†	4,900	414	-7
Cadbury Schweppes†	1,800	444	+8
Caradon†	308	275	+4
Carlton Comms.†	440	841	+6
Coats Viyella	1,400	215	-4
Comm. Union†	342	546	+3
Cookson	220	244	-2
Courtaulds†	481	482	+3
Dalgety	577	434	-4¼
De La Rue†	143	976	-1
Dixons	1,800	204	+2½
Eastern Elec.†	275	743	+11
East Midland Elec.	182	713	+10
Electrocomps	272	477	+1
Eng China Clays	1,100	387	-3
Enterprise Oil†	357	385	+1
Eurotunnel Units	1,700	221	-7
FKI	14	172½	
Fisons	2,100	115	-3
[illegible]	[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

	Oct 17	Day's chge%	Oct 14	Oct 13	Oct 12	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3120.2	+0.4	3106.7	3141.3	3100.5	3137.8	4.04	6.96	16.97	110.55	1183.73
FT-SE Mid 250	3548.0	+0.1	3543.4	3556.6	3535.3	3486.9	3.52	6.75	20.98	106.30	1324.56
FT-SE Mid 250 ex Inv Trusts	3541.9	+0.1	3537.6	3550.1	3530.5	3486.8	3.69	6.23	18.52	112.78	1318.58
FT-SE-A 350	1563.0	+0.4	1557.4	1572.3	1554.1	1563.8	3.92	6.68	17.74	53.56	1212.65
FT-SE SmallCap	1800.10	+0.1	1798.13	1797.73	1791.14	1791.81	3.28	4.90	25.60	48.09	1399.78
FT-SE SmallCap ex Inv Trusts	1767.66	+0.1	1765.82	1764.55	1759.62	1777.18	3.48	5.46	23.33	49.83	1378.63
FT-SE-A ALL-SHARE	1548.45	+0.3	1543.11	1556.84	1539.72	1548.79	3.87	6.56	18.14	52.28	1221.87

■ **FT-SE Actuaries All-Share**

	Oct 17	Day's chge%	Oct 14	Oct 13	Oct 12	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2753.36	+0.2	2747.97	2769.40	2747.05	2387.80	3.34	4.97	25.44	81.46	1108.17
12 Extractive Industries(4)	4013.97	+0.6	3993.74	4046.52	4016.21	3061.20	3.20	5.11	24.19	96.62	1107.82
15 Oil, Integrated(3)	2707.47	+0.1	2704.43	2722.80	2697.87	2383.10	3.48	5.55	22.42	85.80	1113.58
18 Oil Exploration & Prod(11)	1904.00	+0.4	1897.32	1907.51	1812.09	1973.20	2.16	‡	‡	38.03	1101.82
20 GEN MANUFACTURERS(267)	1903.74	+0.2	1899.11	1313.53	1894.50	1904.60	4.00	5.02	24.10	66.66	975.21
21 Building & Construction(33)	1071.57	-0.6	1077.87	1081.21	1068.69	1162.80	3.66	5.17	25.49	35.80	844.18
22 Building Matls & Merchs(32)	1858.42	+0.4	1851.90	1858.33	1849.21	1851.40	3.97	5.06	23.96	66.60	880.71
23 Chemicals(23)	2367.05	+1.7	2327.77	2349.54	2342.55	2225.30	3.91	4.36	28.68	79.59	1050.41
24 Diversified Industrials(16)	1819.90	-0.2	1824.41	1840.41	1797.74	1871.40	5.08	6.10	23.55	82.75	936.97
25 Electronic & Elect Equip(34)	1924.82	+0.2	1920.75	1949.77	1933.71	2136.40	3.91	6.56	18.18	60.85	943.04
[illegible]											

■ **Hourly movements**

[illegible]

■ **FT-SE Actuaries 350 Industry baskets**

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	81	2	8
Other Fixed Interest	0	0	14
Mineral Extraction	38	78	82
General Manufacturers	143	123	371
Consumer Goods	54	31	102
Services	87	85	323
Utilities	31	3	11
Financials	72	102	131
Investment Trusts	69	48	331
Others	15	62	31
Totals	585	534	1404

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	October 10	Expiry	January 12
Last Dealings	October 21	Settlement	January 26

Calls: ACT, Alvis, Coal Inv, Glaxo, Hickson, Proteus, Tadpole Tech, Waverley Mng.
Puts: ACT, Sharelink, Waverley Mng.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§125	F.P.	17.2	130	113	Compel	113		WN4.0	2.1	4.4	10.9
-	F.P.	1.30	1½	1	Cont'l Foods Wts	1¼		-	-	-	-
-	F.P.	24.4	66	61	Emerging Mkts C	61		-	-	-	-
63	F.P.	12.2	68	65	Ennemix	67		RN0.71	5.3	1.3	8.4
115	F.P.	39.1	126	115	Games Workshop	126	+2	RN4.6	2.2	4.6	11.9
-	F.P.	2.66	35	32	Group Dv Cap Wts	32		-	-	-	-
-	F.P.	31.0	62	60	Hambros Sm Asian	62		-	-	-	-
-	F.P.	3.00	30	26	Do Warrants	30		-	-	-	-
180	F.P.	17.4	195	178	Mackie Intl	181		RN6.0	2.2	4.1	7.4
180	F.P.	444.6	181	170	Man ED & F	173	-1	RN8.6	1.8	6.2	9.5
-	F.P.	113.8	379	360	Templeton E New	368		-	-	-	-
-	F.P.	11.9	212	188	Do. Wrts. 2004	192		-	-	-	-
-	F.P.	26.3	360	340	Wrexham Water	340		-	-	-	-
-	F.P.	4.81	330	325	Do. NV	325		-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
110	Nil	28/11	20pm	15pm	Cattles	15pm	
Ir4p	Nil	25/11	¼pm	¼pm	Dragon Oil	¼pm	
500	Nil	18/10	60pm	24pm	Reckitt & Colman	60pm	
Ir330p	Nil	28/11	58pm	57pm	Smurfit (J)	57pm	
245	Nil	9/11	30pm	10pm	UniChem	29pm	
75	Nil	14/11	5pm	3pm	World of Leather	3pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 17	Oct 14	Oct 13	Oct 12	Oct 11	Yr ago	*High	*Low
Ordinary Share	2400.4	2391.2	2412.2	2382.0	2357.8	2363.0	2713.6	2240.8
Ord. div. yield	4.29	4.32	4.28	4.33	4.37	3.93	4.51	3.43
Earn. yld. % full	6.12	6.15	6.10	6.17	6.23	4.56	6.51	3.82
P/E ratio net	18.82	18.71	18.86	18.86	18.48	27.63	33.43	16.94
P/E ratio nil	18.35	18.24	18.39	18.16	18.01	25.48	30.80	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2386.8	2398.0	2399.1	2406.1	2401.8	2397.2	2396.8	2400.4	2402.4	2409.3	2385.5

	Oct 17	Oct 14	Oct 13	Oct 12	Oct 11	Yr ago
SEAQ bargains	23,946	24,943	27,853	27,658	23,970	34,349
Equity turnover (£m)†	-	1519.7	1692.7	1565.2	1291.8	1334.0
Equity bargains†	-	28,972	31,334	29,344	26,429	38,116
Shares traded (mil)†	-	549.0	634.2	605.4	543.3	583.1

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£21¹³⁄₁₆	+⅛	£25⅞	£19⅜	6,459	5.2	Φ
ANZ A$		173	-1	278¼	173	2,302	5.3	27.0
Abbey National	†N	415xd	+7	523	380½	5,444	4.7	14.0
Allied Irish I£	♣†N	256	+3	314	233	1,699	4.0	9.8
Anglo Irish I£	N	59	+2	70	50	159.6	1.4	10.8
Asahi Y		716½	-16¼	819¼	628	16,674	8.6	Φ
Banco Bil Viz Pta		£15⅝	----	£18¼	£14¾	3,664	5.1	7.3
Banco Sant Pta		£28⅞	----	£30½	£23¾	4,280	5.1	9.8
Bk Ireland I£	♣	291	+6	319	246	1,376	4.5	9.4
Bank Scotland	♣†N	209xd	+3¾	247	172½	2,427	3.2	11.7
9¼pc Pf		194¼xd	-5½	141½	107¼	194.2	10.6	-
9¾pc Pf		112½xd	-5¾	149½	112½	112.5	15.6	-
Barclays	♣†N	570½xd	+4½	840	487	9,283	3.6	12.2
Dai Ichi Kan Y		£11¼	-½	£12⅜	£10⅛	34,521	0.5	-
Deutsche DM		£298⅝	+4½	£344⅛	£270¾	14,287	2.3	-
Espirito Santo		£9¼	+⅛	£13¾	£8¾	185.3	4.1	4.7
First Nat Fin	N	71	----	90	60	119.8	2.6	-
6.3pc Cv Pf		73	--	90	73	4.91	10.6	-
7pc Cv Pf		132	--	171	123	62.8	6.0	-
Fuji Bank Y		1360¼	-21	1549½	1152¼	39,416	6.4	Φ
HSBC HK	†N	726xd	-12	1133	680	12,740	4.2	10.5
HSBC (75p Shs)	†N	716xd	-7	1113	660	6,093	4.3	10.4
Lloyds	†N	874xd	+2	690	519	1,499	5.0	11.3
Mitsubishi Y		£15⅝	-⅛	£18⅞	£15½	44,859	0.3	Φ
Mits Tst & Bk Y		947¼	-30¼	1182¼	687½	11,352	6.5	15.0
Mitsui Tst & Bk Y		721¼	-35½	879	514	9,646	0.7	24.3
Nat Aust A$	†	472	-1	630¼	472	6,316	5.7	10.3
NatWest	†N	507	+3	622	421	8,456	4.8	9.4
Ottomane FFr		£21¼	---	£33	£21¼	105.8	6.7	Φ
Rtl Bk Scotland	♣†N	425	+10	528	377½	3,404	3.5	19.2
Sakura Y		£9⅞	--	£9⅞	£8⅞	27,083	0.7	00.4
Sanwa Y		£12⅞	-⅜	£18⅛	£11⅞	35,332	0.5	-

CHEMICALS

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

HOUSEHOLD GOODS

BREWERIES

DISTRIBUTORS

INSURANCE

ENGINEERING

BUILDING & CONSTRUCTION

INVESTMENT TRUSTS

Approved by the Inland Revenue

DIVERSIFIED INDUSTRIALS

FOOD MANUFACTURERS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

ELECTRONIC & ELECTRICAL EQPT

HEALTH CARE

ENGINEERING, VEHICLES

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1994 High	1994 low	Yld Gr's	NAV	Dis or Pm(-)
Perpetual Japan	□	[illegible]	[illegible]	120	83	-	103.7	-1.7
Warrants	□	51	-	88	47	-	-	-
Persimmon Assets		[illegible]	+½	384	270	[illegible]	[illegible]	1.7
Pilot Inv	N□	[illegible]	-	159	125½	1.0	125.1	-2.3
Warrants	□	46	-	69	40½	-	-	-
Piper Euro Smllr	□	[illegible]	+1	90	81	-	82.9	-2.2
Warrants	□	42	+1	42	33	-	-	-
Primadona	N	[illegible]	-	[illegible]	351	2.1	306.1	10.5
Pantheon Intl	♣N□	225	-	278	206	1.9	243.4	7.8
Warrants		81	-	148	78	-	-	-
RIT Capital	♣N□	178	-	189	164½	1.1	218.2	18.4
2½pc Cv Ln 2000		£178	-	218½	£170½	1.4	-	-
Radiotrust		70	-	85	69	-	72.0	2.8
Rights & Iss Inc	N	156	-	164	153	7.3	-	-
Cap	N	480	-	545	440	2.3	542.3	11.5
Riv & Merc Am Inc	N	105xd	-	121	104½	8.3	-	-
Cap	□	30	-	38	28	-	40.9	26.7
Warrants		14	-	17	13	-	-	-
Riv & Mer Ext	N□	106	-	147	105	8.2	102.5	-3.3
Warrants		25	-	49	23	-	-	-
Zero Div Pf		109½	+½	118½	108	-	-	-
Riv & Mer Geared	N	87	-	116	88	10.9	-	-
Prfd Cap 1999		28	-	08	23	-	33.4	16.2
Riv & Merc Smllr	N□	124xd	-	178	118	4.2	136.6	9.3
Warrants		36	-	77	31	-	-	-
Riv & Merc Tst Inc	N□	114	-	127	112½	10.1	-	-
Cap	□	130	-	159	118	-	194.1	35.1
Warrants		29	-	40	29	-	-	-
Do. Stepd Pf	N	148xd	+1	153	144	8.9	-	-
River Plate Inc	N□	108	-	113	108	10.3	-	-
Cap	□	83	-	118	75	-	129.8	36.0
Warrants		3	-	11	[illegible]			

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

CURRENCIES AND MONEY

MARKETS REPORT

German elections push dollar to two year low

The dollar yesterday fell to a two year low on the foreign exchanges as Chancellor Kohl's victory in the German elections lent support to the D-Mark, *writes Philip Gawith.*

The dollar's weakness prompted talk of central bank intervention to support the currency.

Analysts said the re-election of Mr Kohl had removed the last prop of support for the dollar. Market concerns that the US Federal Reserve is losing the battle against inflation are also contributing to dollar weakness.

It finished yesterday in London at DM1.5036, from DM1.5201 on Friday. Earlier it had touched a low of DM1.4970 in Asian trading, below the previous 1994 low of DM1.5160. Yesterday evening it fell below DM1.50 again in New York trading. Against the yen, it finished in London at Y97.85, from Y98.285.

The D-Mark's performance was mixed. It finished firmer against the French franc, at FFr3.434, from FFr3.428, but was weaker against the Belgian franc, at BFr20.58, from BFr20.61.

The Finnish vote in favour of EU membership lent support to the markka, which traded at FM3.078 to the D-Mark from Friday's close of FM3.0910.

Sterling was also weaker against the D-Mark, finishing at DM2.4168 from DM2.4207. It was firmer against the dollar, closing at $1.6074 from $1.5925.

■ Despite the bearishness surrounding the dollar, trading volumes were not large. Analysts said customers were confused; many had seen DM1.51/52 as a potential buying opportunity, but were now put off by the bearish technical outlook.

Mr Brian Marber, technical analyst, said that the dollar's downward break out of its recent trading range meant "a very large fall has become possible. I am expecting an eventual DM1.3910."

Mr David Cocker, analyst at Chemical Bank in London said the absence of any profit taking on the stronger D-Mark was bearish for the dollar. "This suggests the dollar has the potential to go lower still," he said.

This view was echoed by Mr Joe Prendergast, strategist at Paribas capital markets. He noted: "The response of the markets reflects the fact that the last safety net for dollar bulls in 1994 has been removed."

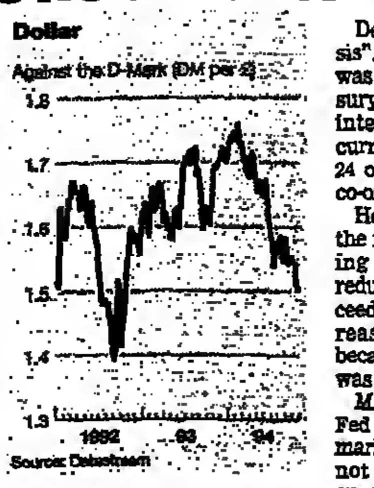
With the German election result having been largely discounted by the market, analysts said there had not been any large-scale D-Mark buying.

Although the German election result was the catalyst for the latest bout of dollar weakness, it is also the victim of market fears about US inflation. Mr Mike Rosenberg, managing director of international fixed income research at Merrill Lynch in New York, said the market feared that softer than expected US economic data last week meant the Fed would not raise interest rates immediately.

"But the feeling in the market is that the Fed is already behind the curve," he added.

Dollar

Against the D-Mark (DM per $)



Source: Datastream

Declaring a "mini-dollar crisis", Mr Rosenberg said there was evidence that the US treasury was setting itself up for intervention to support the currency. "We could be within 24 or 48 hours of a significant co-ordinated effort."

He said the problem was that the market was already expecting intervention, and this reduced the prospect of it succeeding. This, in turn, was a reason not to intervene, because to intervene and to fail was worse than to do nothing.

Mr Rosenberg said that the Fed might be trying to lure the market into believing it would not intervene. This would encourage traders to establish short positions, thus increasing the likelihood of successful intervention, as traders would be forced to cover short positions, adding impetus to the dollar's recovery.

Mr Avinash Persaud, currency strategist at JP Morgan in London, said he doubted whether the Bundesbank would intervene to curb the D-Mark's advance. At the moment it was more likely to see the stronger D-Mark as a useful brake on German growth than as something to be resisted.

In addition, Mr Hans Tietmeyer, president of the Bundesbank, has said that there remains scope for lower interest rates. These would help curb the D-Mark's rally.

■ The Bank of England provided UK money markets with £250m of late assistance. Earlier it had provided £677m of assistance at established rates, after forecasting a £1.15bn shortage.

In Germany the election result had no market impact on rates, with call money unchanged at 4.90/95 per cent.

■ Pound in New York

Oct 17	---Latest---	– Prev. close –
£ spot	1.6105	1.5950
1 mth	1.6097	1.5943
3 mth	1.6093	1.5938
1 yr	1.5994	1.5834

■ OTHER CURRENCIES

Oct 17	£	$
Hungary	170.106 - 170.346	105.880 - 105.950
Iran	2782.00 - 2785.00	1748.00 - 1750.00
Kuwait	0.4771 - 0.4782	0.2969 - 0.2974
Poland	36822.1 - 36874.9	22915.0 - 22935.0
Russia	4622.20 - 4630.20	3000.00 - 3005.00
U.A.E.	5.9002 - 5.9120	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0098	-0.03	010 - 186	17.0841	16.9701	17.0056	0.3	16.9936	0.4	-	-	115.6
Belgium	(BFr)	49.7250	-0.1522	014 - 485	50.3740	49.5920	49.745	-0.5	49.65	0.6	49.445	0.6	117.4
Denmark	(DKr)	9.4778	-0.0181	727 - 828	9.5204	9.4457	9.473	0.6	9.4916	-0.5	9.5213	-0.5	117.3
Finland	(FM)	7.4485	-0.038	383 - 586	7.5090	7.4120	-	-	-	-	-	-	88.6
France	(FFr)	8.2975	+0.0009	927 - 022	8.3699	8.2676	8.2981	-0.1	8.2933	0.2	8.2465	0.6	110.8
Germany	(DM)	2.4168	-0.0039	155 - 181	2.4268	2.4073	2.4156	0.6	2.4124	0.7	2.3833	1.4	127.0
Greece	(Dr)	370.446	-1.005	262 - 630	375.506	370.103	-	-	-	-	-	-	-
Ireland	(I£)	1.0121	+0.0022	113 - 128	1.0136	1.0006	1.0116	0.2	1.0115	0.2	1.0134	-0.1	105.1
Italy	(L)	2471.95	+3.16	029 - 360	2475.63	2464.86	2477.76	-2.8	2490.35	-3.0	2543.70	-2.9	74.8
Luxembourg	(LFr)	49.7250	-0.1522	014 - 485	50.3740	49.5920	49.745	-0.5	49.65	0.6	49.445	0.6	117.4
Netherlands	(Fl)	2.7083	-0.0032	071 - 095	2.7213	2.7028	2.7071	0.6	2.704	0.6	2.6753	1.2	121.4
Norway	(NKr)	10.5306	-0.0245	252 - 359	10.5803	10.4964	10.53	0.1	10.5336	-0.1	10.5342	0.0	88.8
Portugal	(Es)	247.581	-0.388	431 - 730	250.982	247.160	249.311	-8.4	252.491	-7.9	-	-	-
Spain	(Pta)	200.959	-0.302	863 - 055	201.991	200.410	201.339	-2.3	202.024	-2.1	205.029	-2.0	86.4
Sweden	(SKr)	11.6216	-0.0262	126 - 311	11.6855	11.5892	11.6429	-2.2	11.6899	-2.3	11.8779	-2.2	75.9
Switzerland	(SFr)	2.0133	+0.0012	120 - 146	2.0183	2.0073	2.0102	1.6	2.0046	1.7	1.9684	2.2	123.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.8
Ecu	-	1.2700	-0.0011	691 - 708	1.2845	1.2672	1.2698	0.1	1.2697	0.1	1.2688	0.2	-
SDR†	-	0.926123	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6062	+0.0165	056 - 067	1.6117	1.5903	-	-	-	-	-	-	-
Brazil	(R)	1.3317	+0.0155	305 - 329	1.3337	1.3161	-	-	-	-	-	-	-
Canada	(C$)	2.1784	+0.0246	773 - 794	2.1832	2.1640	2.1776	0.4	2.1767	0.3	2.1797	-0.1	86.6
Mexico	(New Peso)	5.4924	+0.0532	868 - 979	5.5068	5.4410	-	-	-	-	-	-	-
USA	($)	1.6074	+0.0149	069 - 078	1.6130	1.5914	1.6067	0.5	1.6061	0.3	1.5959	0.7	81.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1848	+0.02	833 - 863	2.1916	2.1593	2.1848	0.0	2.1881	-0.2	2.2042	-0.6	-
Hong Kong	(HK$)	12.4204	+0.1148	165 - 243	12.4635	12.2983	12.4165	0.4	12.4154	0.2	12.4224	0.0	-
India	(Rs)	50.4168	+0.4579	004 - 367	50.5960	49.9340	-	-	-	-	-	-	-
Japan	(Y)	157.280	+0.761	155 - 404	157.910	156.550	156.84	3.4	155.905	3.5	150.98	4.0	188.5
Malaysia	(M$)	4.1071	+0.0279	051 - 091	4.1212	4.0748	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6309	+0.0049	291 - 327	2.6404	2.6094	2.6348	-1.8	2.6426	-1.8	2.6848	-1.3	-
Philippines	(Peso)	40.8267	+0.1362	349 - 185	40.9960	40.6320	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0286	+0.0543	265 - 307	6.0481	5.9679	-	-	-	-	-	-	-
Singapore	(S$)	2.3677	+0.0163	662 - 691	2.3756	2.3503	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6985	+0.0097	957 - 013	5.7616	5.6859	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5291	+0.0078	112 - 470	6.5881	6.5110	-	-	-	-	-	-	-
South Korea	(Won)	1285.26	+14.35	552 - 704	1290.72	1271.37	-	-	-	-	-	-	-
Taiwan	(T$)	41.9740	+0.3193	562 - 917	42.1122	41.6024	-	-	-	-	-	-	-
Thailand	(Bt)	40.0882	+0.3075	729 - 034	40.1800	39.7370	-	-	-	-	-	-	-

†SDR rates for Oct 14. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.5825	-0.1175	800 - 850	10.7275	10.5605	10.5825	0.0	10.5823	0.0	10.5075	0.7	104.5
Belgium	(BFr)	30.9380	-0.384	300 - 420	31.2300	30.9040	30.941	-0.2	30.966	-0.4	30.891	0.1	106.2
Denmark	(DKr)	5.8965	-0.0651	950 - 980	5.9820	5.8707	5.9009	-0.9	5.91	-0.9	5.9665	-1.2	105.5
Finland	(FM)	4.6340	-0.0677	290 - 390	4.7065	4.6102	4.6347	-0.2	4.6313	0.2	4.6415	-0.2	82.5
France	(FFr)	5.1622	-0.0478	607 - 637	5.2230	5.1390	5.1638	-0.4	5.1627	0.0	5.1652	-0.1	108.8
Germany	(D)	1.5036	-0.0165	032 - 040	1.5245	1.4970	1.5037	-0.1	1.5021	0.4	1.4934	0.7	107.4
Greece	(Dr)	230.470	-2.78	420 - 520	230.980	230.350	230.765	-1.5	231.345	-1.5	233.545	-1.3	68.6
Ireland	(I£)	1.5883	+0.0113	875 - 890	1.6065	1.5764	1.5882	0.0	1.5884	0.0	1.5763	0.8	-
Italy	(L)	1537.90	-12.35	730 - 850	1554.05	1534.25	1542.15	-3.3	1550.4	-3.3	1593.4	-3.6	75.2
Luxembourg	(LFr)	30.9380	-0.384	300 - 420	31.2300	30.9040	30.941	-0.2	30.966	-0.4	30.891	0.1	106.2
Netherlands	(Fl)	1.6850	-0.0177	847 - 852	1.7072	1.6790	1.6852	-0.1	1.6833	0.4	1.6752	0.6	106.0
Norway	(NKr)	6.5515	-0.0765	500 - 530	6.6470	6.5249	6.5552	-0.7	6.573	-1.3	6.6266	-1.1	98.8
Portugal	(Es)	154.030	-1.68	980 - 080	154.210	153.850	154.705	-5.3	155.93	-4.9	160.28	-4.1	95.0
Spain	(Pta)	125.025	-1.355	000 - 050	126.030	124.700	125.31	-2.7	125.77	-2.4	128.425	-2.7	81.1
Sweden	(SKr)	7.2305	-0.0639	267 - 342	7.3415	7.2023	7.2453	-2.4	7.278	-2.6	7.443	-2.9	88.9
Switzerland	(SFr)	1.2526	-0.0109	521 - 530	1.2680	1.2463	1.2511	1.4	1.2479	1.5	1.2324	1.5	106.5
UK	(£)	1.6074	+0.0148	069 - 078	1.6130	1.5914	1.6067	0.5	1.6061	0.3	1.5959	0.7	87.8
Ecu	-	1.2657	+0.0126	652 - 662	1.2699	1.2515	1.265	0.7	1.2646	0.4	1.2602	0.4	-
SDR†	-	1.47374	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9993	+0.0011	992 - 993	0.9993	0.9978	-	-	-	-	-	-	-
Brazil	(R)	0.8285	+0.002	280 - 290	0.8290	0.8230	-	-	-	-	-	-	-
Canada	(C$)	1.3553	+0.0028	550 - 555	1.3585	1.3532	1.3552	0.0	1.3558	-0.1	1.3633	-0.6	83.5
Mexico	(New Peso)	3.4170	+0.0015	145 - 195	3.4195	3.4145	3.418	-0.4	3.4198	-0.3	3.4272	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.0
Pacific/Middle East/Africa													
Australia	(A$)	1.3593	-0.0001	587 - 598	1.3626	1.3517	1.3596	-0.2	1.3603	-0.3	1.3676	-0.6	85.5
Hong Kong	(HK$)	7.7273	-0.0002	270 - 275	7.7275	7.7270	7.727	0.0	7.7279	0.0	7.7428	-0.2	-
India	(Rs)	31.3675	-0.005	650 - 700	31.3700	31.3650	31.4525	-3.3	31.5875	-2.9	-	-	-
Japan	(Y)	97.8500	-0.435	000 - 000	98.5200	97.3000	97.62	2.8	97.07	3.2	94.605	3.3	149.6
Malaysia	(M$)	2.5552	-0.0063	547 - 557	2.5597	2.5540	2.546	4.3	2.5347	3.2	2.6082	-2.1	-
New Zealand	(NZ$)	1.6368	-0.0122	361 - 375	1.6412	1.6361	1.6377	-0.7	1.6396	-0.7	1.6449	-0.5	-
Philippines	(Peso)	25.4000	-0.15	500 - 500	25.8000	25.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	-0.0006	504 - 509	3.7509	3.7504	3.752	-0.4	3.7561	-0.6	3.7747	-0.6	-
Singapore	(S$)	1.4730	-0.0035	725 - 735	1.4765	1.4725	1.4717	1.1	1.4696	0.9	1.463	0.7	-
S Africa (Com.)	(R)	3.5453	-0.027	445 - 460	3.5605	3.5445	3.5608	-5.2	3.5681	-4.9	3.6658	-3.4	-
S Africa (Fin.)	(R)	4.0620	-0.033	520 - 720	4.0850	4.0520	4.0957	-10.0	4.1545	-9.1	-	-	-
South Korea	(Won)	800.250	+1.55	000 - 500	800.500	799.200	803.25	-4.5	806.75	-3.2	825.25	-3.1	-
Taiwan	(T$)	26.1138	-0.043	100 - 175	26.1310	26.1000	26.1338	-0.9	26.1738	-0.9	-	-	-
Thailand	(Bt)	24.9405	-0.0395	380 - 430	25.9850	24.9200	25.013	-3.5	25.1405	-3.2	25.6205	-2.7	-

†SDR rate for Oct 14. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 14. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 17	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	4⅞	5¼	5⅝	6⅜	7.40	4.50	-
week ago	4⅞	4⅞	5⅛	5⅞	6⅜	7.40	4.50	-
France	5⅛	5⅛	5⅝	5⅞	6⅝	5.00	-	5.75
week ago	5⅝	5⅛	5⅞	5⅞	6⅛	5.00	-	5.75
Germany	4.88	4.85	5.15	5.30	5.62	6.00	4.50	4.85
week ago	4.90	4.95	5.20	5.30	5.75	6.00	4.50	4.85
Ireland	4⅞	5⅝	5⅝	6⅜	7⅛	-	-	6.25
week ago	4⅞	5⅝	6⅛	6⅜	7⅞	-	-	6.25
Italy	8⅞	8⅛	8⅞	9⅛	10¼	-	7.50	8.20
week ago	8⅞	8⅛	8⅞	9⅞	10⅞	-	7.50	8.20
Netherlands	4.84	4.93	5.17	5.31	5.71	-	5.25	-
week ago	4.84	4.93	5.23	5.37	5.82	-	5.25	-
Switzerland	2⅞	3⅞	4⅞	4⅞	4⅞	6.625	3.50	-
week ago	3⅞	3⅞	4⅞	4⅞	4⅞	6.625	3.50	-
US	4⅞	4⅞	5⅛	5¼	5⅞	-	4.00	-
week ago	4⅞	4⅞	5⅞	5⅞	6⅛	-	4.00	-
Japan	2¼	2¼	2⅜	2½	2⅞	-	1.75	-
week ago	2⅛	2¼	2¼	2⅜	2⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5	5⅜	5⅞	6⅜	-	-	-
week ago	-	5	5⅝	5⅞	6⅞	-	-	-
US Dollar CDs	-	4.98	5.23	5.54	6.10	-	-	-
week ago	-	4.98	5.31	5.60	6.17	-	-	-
SDR Linked Ds	-	3⅝	3⅜	3⅞	4	-	-	-
week ago	-	3⅝	3⅜	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 5⅜; 6 mths: 6⅛; 1 year: 6⅜. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 5⅛	5⅞ - 5⅞	5⅛ - 6⅛
Danish Krone	5 - 5½	5⅞ - 5½	6 - 5⅞	5½ - 5⅞	6⅞ - 6⅞	7⅛ - 7⅞
D-Mark	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅛ - 5	5⅛ - 5⅛	5⅞ - 5⅞
Dutch Guilder	4⅞ - 4⅞	4⅞ - 4⅞	4⅞ - 4⅞	5⅜ - 5⅛	5⅜ - 5⅞	5⅞ - 5⅞
French Franc	5⅝ - 5⅛	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5½	6⅞ - 5⅞	6⅞ - 6⅞
Portuguese Esc.	9⅞ - 9⅛	9⅝ - 9⅝	9⅞ - 9⅞	10⅞ - 10⅛	10⅞ - 10⅛	10⅞ - 10⅞
Spanish Peseta	7⅞ - 7⅞	7⅞ - 7⅞	7⅞ - 7½	8 - 7⅞	8⅞ - 8⅞	9⅛ - 8⅞
Sterling	6 - 5⅛	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅛	7⅛ - 7⅛
Swiss Franc	3⅝ - 3½	3⅝ - 3½	3⅞ - 3⅞	4⅛ - 4	4⅞ - 4⅞	4⅞ - 4⅞
Can. Dollar	4⅞ - 4⅞	4⅞ - 4⅞	5 - 4⅞	5½ - 5⅜	6⅛ - 6⅞	6⅞ - 6⅛
US Dollar	4⅞ - 4⅝	4⅞ - 4⅞	5 - 4⅞	5⅞ - 5⅛	5⅞ - 5⅞	6⅞ - 6⅞
Italian Lira	9 - 7½	8⅞ - 8⅛	8⅞ - 8⅞	8⅞ - 8⅝	9⅛ - 9⅛	10⅞ - 10⅞
Yen	2⅛ - 2⅛	2⅛ - 2⅞	2⅞ - 2¼	2⅝ - 2⅞	2½ - 2⅞	2⅞ - 2¼
Asian $Sing	1⅞ - 1⅛	1⅛ - 1⅛	2⅜ - 2¼	3⅞ - 3⅞	3⅝ - 3½	4 - 3⅞

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.10	94.16	+0.02	94.17	94.10	15,982	52,829
Mar	93.70	93.75	+0.02	93.77	93.68	12,196	36,161
Jun	93.37	93.40	+0.01	93.42	93.34	7,795	22,579
Sep	93.01	93.06	+0.01	93.06	93.00	2,299	16,748

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		94.13	-			0	2656
Mar	93.72	93.73	-0.01	93.72	93.72	50	1436
Jun		93.34	-0.01			0	300
Sep		93.01	-0.02			0	52

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.80	94.82	+0.03	94.84	94.78	45313	188815
Mar	94.52	94.58	+0.06	94.60	94.46	55912	151262
Jun	94.16	94.24	+0.08	94.25	94.08	38513	97895
Sep	93.79	93.87	+0.06	93.88	93.71	18142	79878

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.68	90.71	-	90.78	90.60	5388	32676
Mar	89.93	90.01	+0.01	90.06	89.91	3478	18994
Jun	89.41	89.49	+0.03	89.51	89.41	1748	14321
Sep	89.00	89.12	+0.05	89.14	89.00	1197	18076

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.74	95.75	-	95.80	95.72	6539	23198
Mar	95.43	95.51	+0.04	95.51	95.43	6013	15635
Jun	95.04	95.10	+0.02	95.12	95.04	968	8609
Sep		94.77	+0.01			0	1239

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.84	93.87	-	93.92	93.82	1314	7294
Mar	93.36	93.44	+0.04	93.45	93.36	1097	8234
Jun	92.84	92.93	+0.05	92.99	92.83	1089	3583
Sep	92.37	92.48	+0.05	92.49	92.38	482	1962

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	16.06	16.69	4.859	2.035	4970	5.447	21.16	497.8	404.1	23.37	4.048	2.011	4.381	3.232	316.2	2.554
Denmark	(DKr)	52.46	10	8.755	2.549	1.068	2607	2.857	11.11	261.2	212.0	12.28	2.124	1.055	2.298	1.696	165.9	1.340
France	(FFr)	59.93	11.42	10	2.912	1.220	2978	3.264	12.69	298.3	242.1	14.01	2.426	1.205	2.625	1.937	189.5	1.531
Germany	(DM)	20.58	3.923	3.434	1	0.419	1023	1.121	4.358	102.4	83.15	4.810	0.833	0.414	0.901	0.665	65.07	0.526
Ireland	(I£)	49.13	9.365	8.199	2.387	1	2442	2.676	10.41	244.6	198.5	11.48	1.989	0.988	2.152	1.588	155.3	1.256
Italy	(L)	2.012	0.384	0.336	0.098	0.041	100.	0.110	0.426	10.02	8.130	0.470	0.081	0.040	0.088	0.065	6.362	0.051
Netherlands	(Fl)	18.36	3.500	3.064	0.892	0.374	912.5	1	3.888	91.40	74.19	4.291	0.743	0.369	0.804	0.593	58.05	0.469
Norway	(NKr)	47.22	9.000	7.879	2.294	0.961	2347	2.572	10	235.0	190.8	11.04	1.912	0.950	2.068	1.526	149.3	1.206
Portugal	(Es)	20.09	3.829	3.352	0.976	0.409	998.4	1.094	4.255	100.	81.17	4.695	0.813	0.404	0.880	0.649	63.52	0.513
Spain	(Pta)	24.75	4.717	4.130	1.203	0.504	1230	1.348	5.241	123.2	100.	5.784	1.002	0.498	1.084	0.800	78.25	0.632
Sweden	(SKr)	42.70	8.156	7.140	2.079	0.871	2127	2.330	9.062	213.0	172.9	10	1.732	0.861	1.874	1.383	135.3	1.093
Switzerland	(SFr)	24.70	4.708	4.122	1.200	0.503	1228	1.345	5.231	123.0	99.80	5.772	1	0.497	1.082	0.798	78.09	0.631
UK	(£)	49.72	9.477	8.297	2.416	1.012	2471	2.708	10.53	247.6	200.9	11.62	2.013	1	2.178	1.607	157.2	1.270
Canada	(C$)	22.83	4.351	3.809	1.109	0.465	1135	1.243	4.835	113.6	92.24	5.335	0.924	0.459	1	0.738	72.18	0.583
US	($)	30.94	5.897	5.163	1.503	0.630	1538	1.685	6.553	154.0	125.0	7.231	1.253	0.622	1.355	1	97.82	0.790
Japan	(Y)	31.63	6.029	5.278	1.537	0.644	1572	1.723	6.698	157.4	127.8	7.392	1.281	0.636	1.385	1.022	100.	0.808
Ecu		39.15	7.462	6.533	1.902	0.797	1946	2.132	8.291	194.9	158.2	9.150	1.585	0.787	1.715	1.265	123.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6568	0.6653	+0.0071	0.6700	0.6562	55,074	88,021
Mar	0.6577	0.6665	+0.0074	0.6677	0.6577	403	4,344
Jun	-	0.6680	-	0.6680	-	1	611

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0216	1.0263	+0.0027	1.0325	1.0205	35,661	57,206
Mar	1.0317	1.0350	+0.0032	1.0385	1.0317	837	5,954
Jun	-	1.0410	-	-	-	23	494

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Dec	0.7903	0.7997	+0.0080	0.8039	0.7902	27,178	38,297
Mar	0.7940	0.8025	+0.0058	0.8045	0.7940	68	957
Jun	0.8070	0.8070	+0.0071	0.8070	0.8070	7	56

■ STERLING FUTURES (IMM) £62,500 per £

Dec	1.5922	1.6058	+0.0126	1.6126	1.5902	10,152	43,530
Mar	1.6060	1.6036	+0.0124	1.6060	1.6036	27	371
Jun	-	1.6010	-	1.6040	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Oct 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 5	5⅞ - 5⅛	5⅝ - 5⅞	5⅞ - 5⅞	6⅛ - 6⅜	7⅛ - 7⅛
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5¾	6⅜ - 6⅛	6⅞ - 6⅞
Treasury Bills	-	-	5⅜ - 5⅜	5⅞ - 5⅝	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 6	-
Local authority deps.	5¼ - 5⅛	5¼ - 5⅛	5⅞ - 5⅜	5¾ - 5⅝	6⅛ - 6⅛	7⅛ - 6⅞
Discount Market deps	5⅞ - 5½	5⅞ - 5⅛	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.421pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.61	+0.02	93.62	93.55	17345	150377
Mar	92.77	92.83	+0.03	92.84	92.75	15745	72700
Jun	92.16	92.26	+0.04	92.27	92.17	4940	50728
Sep	91.73	91.82	+0.06	91.83	91.72	3871	50522

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.26	0.10	0.14	0.15	0.77	1.38
9375	0.12	0.05	0.09	0.26	0.97	1.58
9400	0.04	0.02	0.06	0.43	1.19	1.80

Est. vol. total. Calls 24449 Puts 5975. Previous day's open int., Calls 319821 Puts 180184

EMS EUROPEAN CURRENCY UNIT RATES

Oct 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14275	-0.00196	-2.46	5.69	-
Belgium	40.2123	39.3491	-0.05	-2.15	5.36	16
Germany	1.94964	1.91229	-0.00245	-1.92	5.11	-
Ireland	0.808628	0.800636	+0.004244	-0.99	4.12	7
France	6.53883	6.56486	+0.00496	0.40	2.69	-3
Denmark	7.43679	7.49907	-0.01127	0.84	2.24	-6
Portugal	192.854	195.757	-0.184	1.51	1.57	-10
Spain	154.250	159.025	-0.107	3.10	0.00	-22
NON ERM MEMBERS						
Greece	264.513	293.209	+0.021	10.85	-6.98	-
Italy	1793.19	1956.77	+4.85	9.12	-5.52	-
UK	0.786749	0.791489	+0.002069	0.60	2.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.500	-	10.43	-	-	0.04	-
1.525	7.99	8.10	8.26	0.01	0.16	0.46
1.550	5.61	5.99	6.29	0.05	0.50	0.90
1.575	3.41	4.09	4.53	0.32	1.07	1.60
1.600	1.71	2.54	3.06	1.06	2.01	2.55
1.625	0.65	1.49	2.01	2.49	3.34	3.92

Previous day's vol., Calls 2,243 Puts 11,539. Prev. day's open int., Calls 430,276 Puts 352,017

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.09	94.11	-0.02	94.12	94.12	193,349	446,018
Mar	93.74	93.73	-0.01	93.75	93.75	212,554	398,259
Jun	93.34	93.34	-0.01	93.34	93.34	86,726	300,063

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Dec	94.69	94.68	-0.01	94.69	94.67	1,390	18,391
Mar	-	94.24	-	-	94.24	1,928	6,339
Jun	93.85	93.85	-0.02	93.85	93.85	1,108	3,581

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9475	0.07	0.11	0.15	0.15	0	0.04	0.08	0.32
9500	0	0.02	0.04	0.07	0.18	0.20	0.22	0.49
9525	0	0	0.01	0.03	0.43	0.43	0.44	0.70

Est. vol. total. Calls 8611 Puts 7284. Previous day's open int., Calls 196058 Puts 179082

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9575	0.09	0.12	0.08	0.09	0.36	0.73
9600	0.02	0.06	0.04	0.27	0.55	0.94
9625	0.01	0.04		0.51	0.79	

Est. vol. total. Calls 0 Puts 30. Previous day's open int., Calls 1970 Puts 615

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	6
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75	● Members of London Investment Banking Association	
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75	* In administration	
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	* Mount Banking	6		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

WORLD STOCK MARKETS

EUROPE

PACIFIC

NORTH AMERICA

AFRICA

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Monday, October 17, 1994

	Stocks Traded	Closing Prices	Change on day
Sumitomo Mtl Mng	8.1m	995	+16
Nippon Steel	4.4m	389	+1
Sakai Ovex	3.1m	651	+29
Mitsubishi Chem	3.0m	580	-3
Pacific Metals	2.9m	495	-9
Kawasaki Steel	2.5m	445	-3
Kawasaki Kisen	2.4m	416	+6
Mitsubishi Hvy	2.1m	788	-6
Sumitomo Mtl Ind	2.0m	354	-2
Ube Inds	2.0m	430	+6

INDICES

Japan					
Nikkei 225 (16/5/49)	19858.29	19969.29	20148.83	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	289.89	294.10	294.10	311.71 13/6	289.22 4/1
Topix (4/1/68)	1586.46	1593.08	1605.10	1712.73 13/6	1445.97 4/1
2nd Section (4/1/68)	2262.81	2260.88	2258.40	2542.85 6/7	1873.39 4/1
Malaysia					
KLSE Comp.(4/4/86)	1126.12	1128.45	1135.67	1314.46 5/1	928.33 4/4

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	SettPrice	Change	High	Low	Est. vol.	Open Int.
Oct	1951.0	1916.0	-24.0	1957.0	1913.0	17,952	26,706
Nov	1956.0	1924.0	-24.0	1961.0	1928.0	282	1,110
Dec	1965.5	1933.5	-24.0	1972.0	1934.0	622	25,499

Open interest figures for previous day.

- Sat Oct 15: Taiwan Weighted Price 6695.47; Korea Comp Ex 1086.48. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 06 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 17 - 2096.58 -22.94

US INDICES

Financial	43.42	43.29	43.02	46.94 (14/6)	41.39 (4/4)	49.40 (28/3/93)	8.64 (1/10/74)
NYSE Comp.	257.99	257.46	258.35	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	458.50	458.57	458.50	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	767.06	767.89	767.90	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Oct 14	Oct 7	Sep 30	Year ago
Dow Jones Ind. Div. Yield	2.71	2.79	2.78	2.81
	Oct 12	Oct 5	Sep 28	Year ago
S & P Ind. Div. yield	2.37	2.43	2.39	2.47
S & P Ind. P/E ratio	20.91	20.53	20.78	28.00

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	471.25	470.20	-1.05	471.25	469.60	73,934	214,030
Mar	-	474.45	-	-	-	1,679	9,427
Jun	-	478.15	-	-	-	2	2,581

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Ulco	3,880,000	17¾	+1⅛
Micron	3,298,500	34¾	+1⅝
Adv Micro	2,537,800	22¾	-½
Merck	2,507,900	36⅝	-⅛
Castech	2,490,000	15½	+1
Saon	2,448,000	19⅝	+⅛
Ford Motor	2,345,700	29⅝	+½
IBM	2,038,700	73	+⅜
Telex Chile	1,841,600	20½	-⅛
McKesson	1,884,300	96¼	-5⅞

■ TRADING ACTIVITY

● Volume (million)

	Oct 14	Oct 13	Oct 12
New York SE	251.687	337.905	289.544
Amex	19.386	19.361	15.128
NASDAQ	289.038	348.302	305.755
NYSE			
Issues Traded	2,861	2,874	2,853
Rises	1,020	1,314	999
Falls	1,060	877	1,107
Unchanged	771	683	747
New Highs	38	74	58
New Lows	65	49	89

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close October 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	12¼	AAR	0.48	3.8	21	126	12⅝	12½	12⅝	+⅛
17¾	12⅝	A L Labs A x	0.18	1.1	38	42	16¾	16¼	16¾	+⅜
79⅞	57⅝	AMP	1.68	2.1	27	1472	79⅛	78⅜	78⅞	-⅝
72¾	48⅛	AMR			88	3338	51⅞	50⅜	50½	-⅜
0	3⅜	ARX			12	100	3⅞	3¾	3¾	-⅛
58½	38⅝	ASA	2.00	4.0	33	935	50½	49½	50½	+⅞
32	25⅜	AbbtL x	0.76	2.4	10	6764	21¾	21⅜	31⅜	-⅝
15¾	11⅜	Abitibi Pr	0.50	3.6	10	54	14	13⅝	13¾	-¼
23⅜	17¾	ABM Ind x	0.52	2.6		104	20	19⅞	20	
16	11⅛	Acpthcsh			26	282	u18	15⅞	10	+⅛
31	22⅞	ACE Ltd	0.44	1.8	30	240	24	23½	24	+⅛
12½	9¼	ACM Gvt In x	1.09	11.5		497	0⅛	d9¼	9⅛	+⅛
10⅛	7	ACM GvOpp x	0.80	11.4		30	7⅛	d7	7	-¼
10⅝	7	ACM Gvt Sp x	0.96	13.5		214	7⅛	d7	7⅛	+⅛
12	0⅞	ACM Gvt Se x	1.09	13.1		584	8½	80⅝	8⅜	
11¾	7⅞	ACM Man x	1.08	13.5		570	8⅛	7¾	8	+⅛
9¼	0	ACM Managd x	0.72	0.8		74	8⅜	0⅛	8⅜	+⅛
15½	0¾	AcmeCiv	0.44	3.3	16	15	13⅝	13½	13½	-¼
9⅞	6½	Acme Elect			7	101	9⅜	8¾	9¼	+¼
28¾	23	Acordia	0.60	2.2	13	187	27½	27⅛	27½	
13¾	5¾	Actava	0.36	3.6	2	725	9⅞	9¾	9⅞	
17	11¼	Acuson			125	192	10¾	10¾	10⅜	-½
18⅜	10½	Adams Expr	0.40	2.8	0	51	17¼	17⅛	17⅛	-¼
64	46½	Ad Micro	3.00	0.6		471	52	50⅞	32	+1
31¾	16¾	AdvMic	3.00	12.0	101	4882	23⅝	22⅝	23½	+¾
0⅞	5	Advest Grp	0.10	3.0	0	117	5¼	5⅛	5¼	+⅛
29	10	Advo Inc	0.10	0.6	119	5278	10	17⅞	17⅞	+⅛
80½	49⅞	Aegon ADR	1.47	24	13	93	u82	81¼	82	+1½
65¾	44⅝	AetnaL	2.76	5.0	?	3327	47⅞	46½	47⅞	+1⅜
36⅛	25¾	Aflac	0.48	1.4	14	720	33⅛	32⅞	33	-⅛
[illegible]										

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- D -

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- E -

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- F -

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- G -

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- H -

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- I -

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Continued on next page

4 pm close October 17

NYSE COMPOSITE PRICES

1994 High	1994 Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
45	37⅞	StPaul	1.50	3.5	4	703	43⅛	42⅞	43	-⅛
9⅞	5	Salant Crp			6	34	5½	5⅜	5½	
49⅞	31⅞	Sallie Mae	1.40	4.3	8	733	32½	32¼	32⅛	-⅛
13⅞	11⅞	Salomon Br	0.32	2.8		301	12⅝	12¼	12⅜	+⅛
52¾	37⅞	Salomon	0.64	1.7	5	1388	38⅞	38⅛	38⅛	
25	17½	SnDgGE	1.52	7.8	18	685	19⅝	19⅜	19½	
10	7½	SantaFeERe	0.18	1.8	8	439	8	8¾	8⅞	-⅛
17⅞	13½	SFeGd				12104	14⅞	14⅜	14½	
40	31½	SantaFePac	2.80	8.4	16	99	33½	33⅛	33½	+½
26¼	12⅛	SanFeP	0.10	0.7	8	5572	14¾	14½	14⅝	-½
26	19⅜	SaraLee	0.84	2.8	15	5772	23¼	22⅝	22⅞	-⅜
50⅛	42⅛	Scana Corp	2.82	0.4	11	121	44	43⅝	43⅞	-¼
20½	12½	Scecorp	1.00	7.5	8	4553	13½	13¼	13⅜	-⅛
43½	31¾	ScheringP			32	409	43⅞	42½	42½	-⅞
72½	54½	SchrPl	2.04	2.9	16	5020	71⅝	70⅝	71⅛	+½
63	50¾	Schlmb	1.20	2.1	23	2401	58¾	58⅛	58⅜	-⅛
30⅞	23¾	Schwab(C)	0.28	0.9	15	1454	33	32¼	32¾	+½
10¾	6⅛	Schweitzer			27	29	9⅝	9½	9½	+⅛
22⅝	12¼	SciAtl	0.06	0.3	43	1852	21½	20	21½	+1⅝
18⅜	15	Scotsmn	0.18	0.8	14	116	15⅞	15¾	15¾	
69⅞	37¼	ScottP	0.80	1.3	17	2987	63¾	62⅞	63⅝	+1
28⅝	18⅝	ScudderNAsF	0.21	0.8		180	25¼	25	25⅛	+¼
12⅞	9⅛	ScudderNEuF	0.16	1.8		300	9⅞	9¾	9⅞	+⅛
18¼	13½	SeaCnB	0.70	4.4	7	3	15⅞	13⅞	15⅞	+¼
16½	14⅞	SeaC1.4625	1.40	9.4		18	15½	15¼	15½	
32⅞	25¼	Seagram	0.60	1.9	39	4000	31	30⅝	30⅞	+⅛

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- U -

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- V -

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- X - Y - Z -

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Price data supplied by Telekurs

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AMEX COMPOSITE PRICES

4 pm close October 17

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close October 17

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMERICA

Weak dollar and bonds inhibit Dow

Wall Street

Blue chip stocks posted modest gains yesterday morning, but the wider market languished as fresh weakness in the dollar and bond prices ensured that overall investor sentiment remained subdued, *writes Patrick Horverson in New York.*

By 1 pm, the Dow Jones Industrial Average was up 10.77 at 3,921.24. The more broadly based Standard & Poor's 500 was 0.46 lower at 468.64, while the American Stock Exchange composite was up 0.06 at 458.56 and the Nasdaq composite softened 0.86 to 766.22. Trading volume on the New York SE was 131m shares by 1 pm.

After posting gains of more than 100 points last week, the Dow continued on its upward path yesterday, but the market's advance was not entirely convincing, with secondary indices all lagging well behind the blue chip average.

Analysts said that there was nothing specific to explain the gains in the Dow. The mood of the market, however, has been generally positive in the past week because recent economic and inflation statistics have helped ease fears that the Federal Reserve would put up interest rates again before the end of the month. Prices have also been buoyed by mostly strong third quarter corporate earnings.

The absence of a more broadly-based advance yesterday was blamed on weakness in the dollar – which fell sharply on foreign markets overnight – and on a modest decline in bond prices. By early afternoon, the benchmark 30-year bond was down slightly by more than a quarter of a point, and its yield had risen to 7.850 per cent.

Among individual issues, General Electric eased $⅛ to $50¼ and PaineWebber firmed $⅛ to $15 on the news that GE was selling its troubled Kidder, Peabody investment banking unit to PaineWebber in a deal that will leave GE with a 25 per cent stake in the securities firm.

Eastman Kodak fell $⅞ to $48¾ in volume of 2m shares amid reports that the company was preparing to embark on another round of cost cuts in expectation of weak second-half earnings.

Chemical Waste jumped $1⅛ to $9¼ on the news that the company had signed a definitive merger agreement with WMX Technologies in a deal that put a higher value on Chemical Waste than had been originally outlined in a July pect. The news left WMX shares up $¼ at $29½.

On the Nasdaq market, California Micro Devices slumped $5¾ to $8⅛ after the company said it was investigating possible accounting irregularities that could affect its financial results.

Canada

Toronto was slightly softer at midday as the market cast around for direction amid a dearth of fresh news. The TSE-300 composite index eased 2.40 to 4,330.02 in volume of 29.7m shares.

Remarks by the federal finance minister Mr Paul Martin reiterating the government's commitment to tackling the country's deficit problem lent some strength to the Canadian dollar.

Mexico

Mexican stocks opened little changed as investors shadowed the mixed movements of Mexican blue chips traded on Wall Street.

The IPC index was off 4.31 at 2,782.00 by mid-morning.

Turnover was moderate at 23.4m pesos in volume of 1.97m shares.

Brokers said that they expected equities to make gains during the week in anticipation of a flow of third-quarter results before the end of the month.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1994	Start of 1994	Start of 1994
Austria	+0.93	-4.71	-3.21	-12.49	-7.37	-0.29
Belgium	+3.32	-2.46	-1.60	-9.76	-3.24	+4.16
Denmark	+2.90	-3.08	-1.76	-10.04	-4.75	+2.54
Finland	+8.18	+2.87	+31.81	+27.18	+45.52	+56.64
France	+3.79	-0.56	-6.52	-13.91	-9.36	-2.43
Germany	+6.75	-1.10	+2.62	-8.70	-5.12	+4.29
Ireland	+4.88	-1.86	+13.78	+2.15	+6.20	+14.32
Italy	+0.22	-5.54	+9.93	+4.05	+6.75	+14.90
Netherlands	+3.46	+0.20	+6.44	-4.11	+1.61	+9.38
Norway	+5.93	+3.64	+8.53	+2.44	+7.98	+16.24
Spain	+3.75	+0.55	-2.91	-8.80	-4.18	+3.14
Sweden	+6.53	+0.68	+6.80	+4.82	+10.97	+19.45
Switzerland	+3.36	-0.06	+2.53	-10.57	-2.36	+5.11
UK	+3.61	+1.02	+0.83	-8.85	-8.85	-1.88
EUROPE	+3.97	-0.20	+1.27	-8.06	-4.60	+2.70
Australia	+2.02	-2.88	-1.66	-7.01	-6.37	+0.79
Hong Kong	+1.72	-5.37	+16.35	-20.75	-26.38	-20.75
Japan	+0.80	+1.33	-2.54	+9.97	+16.00	+24.86
Malaysia	+1.51	-4.25	+25.51	-9.52	-11.59	-4.84
New Zealand	+4.03	-1.45	+3.78	-0.81	-0.09	+7.55
Singapore	+2.34	+6.50	+15.57	-1.43	-0.22	+7.41
Canada	+1.06	-1.13	+9.41	+3.42	-5.95	+1.24
USA	+3.00	-0.38	+0.43	+0.79	-8.36	+0.78
Mexico	+4.43	-1.58	+42.59	+5.35	-11.00	-4.20
South Africa	+0.54	-3.63	+45.57	+14.99	+11.92	+20.47
WORLD INDEX	+2.46	-0.05	+1.01	+0.13	-0.47	-0.46

† Based on October 14, 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

Last week's enthusiam for European equities, led by Finland and Germany, stands in stark contrast to an overview from Merrill Lynch which heralds "the coming collapse in market multiples". The US broker's European strategy team believes that price/earnings ratios in major European eqnity markets could halve as they approach peak earnings. The rise in earnings would make most of the difference in a fall from p/e estimates "in the high teens to high 20s on average", to 10 or less; bnt Merrill also thinks that markets could trend sideways to down for the next three to five years.

EUROPE

Dollar weakness hits bourses after Kohl victory

Sunday's narrow victory for Germany's Conservative/Liberal coalition was seen as a reassurance for the country's financial markets, and it certainly seemed to be good for both the D-Mark and bunds, *writes Our Markets Staff.*

It had less apparent effect on the Frankfurt equity market, but Mr James Cornish, the NatWest strategist who concentrates on the European political scene, put this in perspective. "It is good for equities, too," he said, "but they were already up by more than 7 per cent last week."

Outside Germany, he added, the Kohl win should be good for countries with a commitment to hard currency; it was probably no coincidence that the usually sedate Danish equity market posted a rise of 1.5 per cent yesterday.

FRANKFURT's professionals went fishing for more buyers in the early morning, with prices marked up and a little buying lifting Dax futures. However, the buyers did not bite and, from an Ibis-indicated high of 2,147.3 in the morning the market slipped rapidly to close the session 14.85 lower at 2,090.88.

Turnover rose from DM6.4bn to DM8.5bn and, in the afternoon, the Dax recovered a little to 2,095.58. Unfortunately, what was good for the D-Mark was bad for the dollar, and the malaise of the US currency had its impact on exporters: there was weakness in chemicals, carmakers and engineering and metals, with Hoechst down DM5.10 at DM329.50, Daimler by DM15.30 at DM779.70 and Thyssen by DM7.50 at DM290.

However, the losses were not restricted to cyclicals. Deutsche Bank fell DM12.50 to DM714.50, although it denied a Spiegel report alleging that it had profited from the oil futures fiasco which drove Metallgesellschaft into financial disaster. In utilities, Veba fell DM9.80 to DM526 and Viag by DM9.60 to DM475.

PARIS was pulled down by a number of factors, including a weak currency and some institutional switching of funds from France into Germany following the genaral election there at the weekend. The resignation of a senior member of the Balladur government was not seen as affecting sentiment, brokers said, since the decision by the industry minister to quit on allegations of corruption had been expected.

The CAC-40 index settled down 26.60 or 1.4 per cent at 1,906.42 in turnover estimated at FFr6bn.

Vehicle and component stocks reflected the market's overall weakness, with Peugeot off FFr6 at FFr782, Michelin down FFr3.90 at FFr229.10 and Valeo FFr1.40 lower at FFr280.10. The government said yesterday that institutions subscribing to tha partial privatisation of Renault – pre-marketing begins today – could be expected to pay between FFr163 to FFr178 per share.

Eurotunnel confirmed forecasts of weak 1994 revenues and the shares lost FFr1.15 or 6 per cent at FFr17.85.

ZURICH was lower in thin turnover, the SMI index losing 9.7 to 2,575.6 in response to the weak dollar and profit-taking after last week's advance.

UBS bearers, however, picked up SFr5 to SFr1,290 as the bank continued to buy its own shares ahead of the extraordinary shareholders meeting on November 22 at which shareholders will be asked to approve the bank's planned capital restructuring.

Roche certificates gave up SFr65 to SFr5,835 after the group announced that third-quarter sales fell 4.7 per cent to SFr3.4bn. Ciba registered dipped SFr3 to SFr714, while Sandoz, which is expected to announce nine-month figures next week, fell SFr5 to SFr632.

Export-oriented shares fell prey to the weak US currency, Nestlé giving up SFr7 at SFr1,197.

AMSTERDAM was supported by bonds as the weak dollar threatened to drag equities lower. The AEX index finished with a modest rise of 0.28 at 408.44, having seen a day's high of 411.60.

Unilever, up 30 cents to Fl 200.30, attracted interest from Merrill Lynch in a review of food industry stocks, the broker noting that the stock had the best performance among European groups in the third quarter. Merrill added that an estimated p/e of 12 times 1995 earnings did not seem too demanding, while the company also stood to benefit from its positioning in the world's emerging economies.

MILAN turned back from early highs amid fresh signs of backtracking by some ministers over the budget proposals. The Mibtel index finished 24 ahead at 10,143, off a high of 10,288, as teething troublas with the new Mib-30 index also acted as a disincentive.

Credito Italiano was a bright spot, climbing L45 or 2.6 per cent as it launched its rights issue to raise L1,500bn and the bank's president said he had many new projects in mind at a time when the Italian banking system was about to regroup.

Olivetti was L60 or 3.1 per cent lower at L1,890, although dealers said there was no news to account for the fall.

TEL AVIV bracketed the Israeli/Jordan peace treaty with two gains of 2.4 per cent. On Sunday, it liked Friday's Israeli September price index and the Mishtanim index put on 4.46 at 188.07; yesterday it added a further 4.52 at 192.59.

FT-SE Actuaries Share Indices

Oct 17						THE EUROPEAN SERIES		
Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1356.97	1356.33	1353.08	1351.77	1345.92	1342.47	1343.75	1343.00
FT-SE Eurotrack 200	1410.00	1409.83	1407.88	1406.03	1401.62	1399.25	1400.73	1400.87

	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10
FT-SE Eurotrack 100	1360.17	1351.18	1333.83	1330.45	1317.39
FT-SE Eurotrack 200	1404.65	1412.25	1392.70	1384.60	1370.44

Base 1000 (26/10/90) High/day: 100 - 1358.20; 200 - 1411.81 Low/day: 100 - 1342.16 200 - 1398.61 † Partial

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	June 1994	July 1994	Aug 1994	Sep 1994	US $bn
Belgium	71.22	43.50	56.27	62.29	1.76
France	215.75	145.26	146.71	169.87	27.64
Germany	165.42	127.41	152.68	134.81	98.44
Italy	59,404	49,940	48,276	52,060	29.84
Netherlands	26.40	18.40	23.90	19.50	13.73
Spain	1,308.75	1,282.19	903.85	1,011.44	7.04
Switzerland	21.63	18.58	18.80	19.60	14.40
UK	46.32	45.16	52.78	48.98	82.60

Volumes represent purchases and sales.
Italian data adjusted to include off-market trading. Some figures may be revised.
Source: NatWest Securities

The European equities turnover table, which was published on this page last Friday, inadvertently failed to give the September figures, which are shown above.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei softens as yen climbs against US currency

Tokyo

Investors remained sidelined as the yen rose to the Y97 level against the dollar and the Nikkei 225 average lost ground on small-lot arbitrage selling, *writes Emiko Terazono in Tokyo.*

The index closed 11.00 off at 19,958.29 after a day's high of 20,055.41 and low of 19,907.68. Arbitrage buying supported shares in the morning, pushing the index above 20,000, but unwinding of long positions later depressed the index.

Volume came to 200m shares, against Friday's 397m. The Topix index of all first section stocks slipped 6.62 to 1,586.46 and the Nikkei 300 shed 1.38 to 289.89. Losers led gainers by 508 to 451, with 195 issues unchanged. In London the ISE/Nikkei 50 index eased 0.08 to 1,300.35.

The dollar fell below Y98 for the first time since September 26, depressing investor confidence. While traders said the currency movements failed to prompt heavy selling, sentiment remained subdued. The US currency was later supported by intervention from the Bank of Japan.

Electricals were lower, with NEC down Y30 to Y1,230 and Sony losing Y20 at Y5,950. Foreign selling depressed Sega Enterprises, the video game maker, with the shares falling Y300 to Y5,030.

Some investors took profits on steels and chemicals which were higher last week on buying by overseas investors. Mitsubishi Chemical and Kawasaki Steel dipped Y3 apiece to Y580 and Y445 respectively. However, Nippon Steel moved up Y1 to Y389 and Ube Industries Y6 to Y430.

Sumitomo Metal Mining, the most active issue of the day, advanced Y16 to Y995 as speculation that a leading US hedge fund was purchasing gold prompted individual and dealer buying.

Japan Telecom declined Y10,000 to Y3.89m and East Japan Railway receded Y1,000 to Y483,000, but Nippon Telegraph and Telephone rose for the fifth consecutive day, by Y7,000 to Y893,000.

Textiles gained ground, with Toho Rayon adding Y13 at Y460 and Mitsubishi Rayon Y5 at Y458.

In Osaka, the OSE average eased 38.78 to 22,309.84 in volume of 17.6m shares. Nippon Shoji fell by its daily limit of Y100 to Y896. Investors sold the issue after the Securities and Exchange Surveillance Commission, the securities industry watchdog, filed a charge with the Osaka district prosecutors office last week for alleged insider trading by 32 of the company's employees.

Roundup

Mixed performances were seen in the Pacific Basin region.

SEOUL continued its forward momentum in brisk trade, the composite index ending at a record closing high of 1,109.87, up 13.39 or 1.2 per cent.

Brokers commented that a number of positive factors were influencing investors at present, including prospects for high economic growth and good company earnings.

TAIPEI was also firmer, led by rises in the food sector, but the weighted index finished off the day's high, up 35.77 or 0.5 per cent at 6,731.23. The session's peak was 6,778.34. Turnover totalled T$79.06bn.

In the food sector, President Enterprises went the day's limit up to T$56 on hopes that the company would make a T$5.5bn to T$6.2bn profit by selling its stake in affiliate President Chain Store.

MANILA was supported by property issues and the composite index added 1.7 per cent at 3,050.14. Some brokers observed that investors seemed to be targeting large manufacturing companies such as Petron and San Miguel. Turnover amounted to 2bn pesos.

SYDNEY was firmer, although bond weakness dampened sentiment. The All Ordinaries index was finally up 8.2 at 2,014.2 after touching 2,024.4.

Among the day's leading performers, BHP advanced 24 cents to A$20 and News Corporation moved ahead 13 cents to A$8.38.

HONG KONG finished just off the day's lows in reaction to a weak dollar and continuing concern over the health of China's leader Deng Xiaoping.

The Hang Seng index retreated 94.99 to 9,455.94.

The H-share index of Chinese stocks listed in Hong Kong fell by 3.2 per cent, on the back of a drop in Shanghai A shares.

SHANGHAI's A share index fell 50.54 or 7.5 per cent to 627.55 after a local Communist party newspaper voiced sharp criticism of the media for irresponsible reporting on the market, brokers said.

Brokers added that the index also fell on fears of a flood of so-called "legal person" shares, prompted by an exchange announcement that Zibo Investment Fund would list a portion of its institutionally owned units on November 4. They will be the first institutional securities on the market.

Most shares in Chinese listed companies are owned by institutions and are not traded.

KUALA LUMPUR gave up early gains to close lower as the market's consolidation and lack of foreign demand kept a lid on prices.

The composite index eased 2.33 to 1,126.12 in volume of 307.07m shares.

Hong Leong Bank made a striking debut, closing at M$8.75 to give the stock a M$5.45 premium.

Amalgamated Industrial, the steel products maker, hit the 30 per cent limit-up in the morning at M$5.70 before the company asked for a suspension in the afternoon trade.

BOMBAY was lower on sustained selling pressure which left the BSE 30-share index 21.00 down at 4,365.43.

S Africa extends gains

Johannesburg extended gains in slow trade as the market derived support from stronger world markets and improved gold price prospects. However, dealers said that low trading volnmes indicated a lack of real interest and that the medinm term direction remained clondy.

Currencies continned to play their part, with a firmer financial rand undermining some price rises early in the day.

The overall index collected 28 at 5,655, industrials rose 49 to 6,404 and golds picked up 12 to 2,300.

De Beers added 10 cents at R101.60, Anglos rose R1 to R238.25 and Minorco hardened 25 cents to R107. Iscor pnt on 5 cents at R4.78 and Hiveld climbed a strong R1.50 to R32.

SAB firmed R1 to R85.75 and Remgro picked np 75 cents to R27. Sappi registered a fresh high for the year as it appreciated R3 to R66 on continned positive reaction to its acquisition of a 70 per cent stake in SD Warren.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 14 1994								THURSDAY OCTOBER 13 1994					DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	168.15	0.0	156.57	104.49	132.92	152.05	0.3	3.65	168.14	157.65	106.20	134.82	151.64	189.15	149.36	154.46
Austria (18)	184.45	1.5	171.71	114.59	145.77	145.74	0.1	1.10	181.70	170.36	114.78	145.69	145.63	198.89	167.45	180.05
Belgium (37)	169.42	1.6	157.71	105.26	133.89	130.86	0.3	4.21	166.70	156.29	105.28	133.66	130.48	177.04	149.33	152.12
Canada (103)	137.48	-0.5	127.98	85.41	108.64	134.64	-0.1	2.49	138.12	129.50	87.23	110.75	134.78	145.31	120.54	128.07
Denmark (33)	253.48	1.5	235.96	157.48	200.32	205.52	0.1	1.44	249.80	234.21	157.77	200.30	206.40	275.79	230.27	234.58
Finland (24)	192.98	4.2	179.65	119.89	152.51	190.42	2.7	0.74	185.29	173.73	117.03	148.57	185.49	192.98	118.85	120.05
France (101)	171.69	0.4	159.83	106.67	135.68	140.31	-1.0	3.09	171.02	160.34	108.01	137.12	141.67	186.37	159.34	167.95
Germany (58)	146.26	2.4	136.16	90.87	115.59	115.59	0.9	1.79	142.89	133.98	90.25	114.58	114.58	150.40	128.37	134.24
Hong Kong (56)	387.78	-0.1	360.98	240.91	306.45	384.70	-0.1	3.19	387.97	363.76	245.04	311.09	384.69	506.66	333.34	333.34
Ireland (14)	211.74	1.2	197.11	131.55	167.34	189.18	0.5	3.38	209.13	196.08	132.08	167.69	188.33	218.80	171.40	171.40
Italy (59)	78.81	-0.2	73.37	48.96	62.28	91.24	-1.3	1.69	78.99	74.06	48.89	63.34	92.45	97.78	57.88	69.89
Japan (468)	162.48	0.7	151.26	100.95	128.41	100.95	-0.9	0.78	181.31	151.24	101.88	129.35	101.88	170.10	124.54	152.51
Malaysia (97)	562.92	0.0	524.04	349.73	444.98	555.33	-0.4	1.51	563.02	527.89	355.60	451.46	557.60	621.63	430.71	451.68
Mexico (18)	2287.50	0.8	2129.46	1421.15	1807.78	8542.26	0.7	1.20	2270.20	2128.50	1433.80	1820.29	8480.16	2647.09	1696.28	1781.32
Netherland (19)	217.78	1.4	202.74	135.30	172.11	169.25	-0.1	3.41	214.81	201.40	135.67	172.24	169.35	218.19	187.01	191.95
New Zealand (14)	73.04	1.0	67.99	45.38	57.72	63.94	0.8	3.80	72.34	67.83	45.69	58.01	63.43	77.59	59.22	64.12
Norway (23)	208.81	2.6	194.38	129.72	165.01	167.85	1.2	1.78	203.57	190.66	128.57	163.23	165.62	211.74	185.52	179.80
Singapore (44)	394.76	1.3	367.49	245.26	311.98	268.60	0.9	1.57	389.57	365.26	246.05	312.38	266.10	394.76	294.66	321.45
South Africa (59)	321.83	0.4	299.60	199.95	254.34	288.05	0.2	2.23	320.66	300.65	202.52	257.11	287.36	321.83	202.72	217.36
Spain (38)	143.73	0.6	133.80	89.29	113.58	137.61	-0.7	4.03	142.66	133.76	90.10	114.39	138.56	155.79	128.88	143.15
Sweden (36)	234.57	1.5	218.37	145.73	185.38	253.99	0.4	1.58	231.09	216.66	145.95	185.29	252.98	234.57	175.63	202.51
Switzerland (47)	168.32	1.6	156.69	104.57	133.02	131.65	-0.2	1.84	165.74	155.39	104.68	132.89	132.09	176.56	143.64	145.75
United Kingdom (204)	201.19	-0.3	187.29	124.99	159.00	187.29	-1.0	4.06	201.82	189.22	127.47	161.83	189.22	214.96	181.11	189.56
USA (515)	191.41	0.3	178.19	118.92	151.27	191.41	0.3	2.83	190.89	178.98	120.56	153.05	190.89	196.04	178.95	190.59
EUROPE (709)	174.15	0.7	162.11	108.19	137.62	151.76	-0.5	3.05	172.94	162.15	109.23	138.67	152.45	178.58	154.79	160.60
Nordic (116)	227.80	2.0	212.05	141.53	180.03	210.30	0.6	1.41	223.25	209.32	141.00	179.01	208.67	227.80	173.18	189.92
Pacific Basin (747)	171.65	0.6	159.98	106.76	135.81	111.80	-0.8	1.08	170.76	160.10	107.85	136.92	112.65	176.66	134.79	159.22
Euro-Pacific (1456)	172.69	0.7	160.75	107.29	136.48	127.82	-0.6	1.92	171.56	160.85	108.35	137.56	128.63	175.14	143.88	159.68
North America (618)	188.05	0.2	175.07	116.84	148.62	197.49	0.3	2.82	187.61	175.90	118.49	150.43	187.01	192.73	175.67	186.72
Europe Ex. UK (505)	155.84	1.3	145.07	96.82	123.15	130.88	-0.1	2.46	153.83	144.23	97.16	123.35	131.02	158.12	135.94	141.85
Pacific Ex. Japan (279)	263.00	0.2	244.83	163.40	207.85	234.22	0.1	2.78	262.57	246.18	165.63	210.54	233.99	298.21	224.43	224.43
World Ex. US (1636)	174.60	0.8	162.54	108.47	137.98	131.62	-0.6	1.93	173.51	162.68	109.58	139.12	132.38	176.65	145.58	180.23
World Ex. UK (1947)	177.00	0.6	164.77	109.96	139.88	146.32	-0.2	2.05	175.96	164.97	111.13	141.09	146.61	178.59	155.96	167.39
World Ex. So. Af. (2092)	178.22	0.5	165.91	110.72	140.84	149.02	-0.3	2.25	177.33	166.26	111.99	142.18	149.45	180.03	158.54	169.12
World Ex. Japan (1683)	190.05	0.4	175.93	118.08	150.20	178.89	0.0	2.87	189.26	177.47	119.54	151.77	178.91	195.20	176.34	180.18
The World Index (2151)	179.14	0.5	166.76	111.29	141.57	150.05	-0.3	2.25	178.24	167.11	112.57	142.82	150.47	190.80	158.85	169.35

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